



# MONASH University

## The Politics of Environmental Certification Surrounding the Indonesia's Palm Oil Industry: Emergence of the Indonesian Sustainable Palm Oil (ISPO)

**Donny Tamtama**

BEcon, MSocSc

A thesis submitted for the degree of Doctor of Philosophy  
at Monash University

2017

Human Geography, School of Social Sciences, Faculty of Arts

## Copyright notice

© Donny Tamtama (2017).

I certify that I have made all reasonable efforts to secure copyright permissions for third-party content included in this thesis and have not knowingly added copyright content to my work without the owner's permission.

## Abstract

This thesis analyses the emergence of environmental governance in palm oil sector following the rapid expansion of oil palm plantations and its environmental and social impacts. In particular, the research focuses on the establishment of Indonesian Sustainable Palm Oil (ISPO) in 2011, as an Indonesian government response to the dynamic within the Round table on Sustainable Palm Oil (RSPO) which established seven years earlier. There has been ample of research concerning the RSPO done from many different angles in the course of recent years since its foundation in 2004, such as its implementation, impacts, effectiveness, as well as an institution. In contrast, the number of research related to ISPO is in comparison remarkably meager. The available studies, however, mostly cover limited issues, such as the ISPO's implementation and effectiveness.

The thesis fulfils three major aims. First, it details the historical evolution of Indonesia's palm oil industry within the context of Indonesia's political and economic development particularly since independence. Second, it details the more recent emergence of the RSPO and, in response, Indonesia's own ISPO within the context of current debates surrounding globalisation, neo-liberal economics and their environmental costs. Third, the establishment of Indonesia's ISPO is analysed within a unique theoretical and conceptual framework that views the ISPO as a form of state-centred environmental governance that has emerged as a consequence of Indonesia's unique historical legacy of corporatist sovereignty. Indonesia's political and economic history, along with its unique geography, has resulted in a close relationship between palm oil producers and regulators that this thesis, along with other commentators, calls corporatism. GAPKI is analysed as an example of Indonesian neo-corporatism. Indonesia's ambiguous relationship with the concept of sovereignty also plays an important in GAPKI's withdrawal from the RSPO and the establishment of the ISPO.

Indonesia's decision to establish a state-centric ISPO is therefore an unprecedented phenomenon worthy of a thorough analysis and study. Thus, this research is among the first to attempt an examination of the rise of the Indonesian Sustainable Palm Oil (ISPO) as a countermeasure taken by the Indonesian government and palm oil association toward the dynamic existing within the RSPO. In addition, this project also aims to provide a unique perspective to comprehend the underpinning reasons and factors of such decisions through the viewpoint of political and geopolitical history of Indonesia.

## Declaration

This thesis contains no material which has been accepted for the award of any other degree or diploma at any university or equivalent institution and that, to the best of my knowledge and belief, this thesis contains no material previously published or written by another person, except where due reference is made in the text of the thesis.

Signature

:



Print Name

: Donny Tamtama

Date

: 27 September 2017

*In loving memory of my father*

*Dr. dr. Muljono Wirjodiardjo, Pediatrician (Consultant)*

*(11 February 1940 – 17 August 2015)*

## Acknowledgements

All praises to God the Almighty for giving me the blessing, the strength and endurance in completing this thesis, despite numerous challenges and obstacles I had to face during my PhD journey.

Though they are too many to mention, I am profoundly indebted to all who offered generous support towards the completion of this work.

First and foremost, I would like to express my sincere gratitude to my supervisor team: Dr Joseph Cheer, who ceaselessly continued to provide encouragement, motivation and input for me to complete this thesis on time. Dr Alice de Jonge, with her invaluable guidance and endless patience, had become a mother figure to me during my studies in Australia. Dr Craig Thorburn, whose immense knowledge and experience regarding Indonesian history and politics have profoundly enriched my knowledge and horizon on Indonesia's political economy. Your commitment and faith in this project have contributed enormously in my motivation and convictions to finish this thesis. Dr Ruth Lane, my former main supervisor who, despite the limited period of her supervision, has given many invaluable inputs into this thesis. I also thank Dr Dana Thomsen for editing this thesis according to Australian Standards for Editing Practices.

My study at Monash University would not have happened without the Scholarship from the Australian Department of Foreign Affairs and Trade (DFAT) who funded this research. Therefore, please allow me to express my gratitude for this precious opportunity. I would also like to thank the Ministry of Trade of the Republic of Indonesia, especially the Directorate of Trade Defense, the unit where I am employed, for granting me the study leave for 4 years and enabling me to pursue my graduate study.

I also would like to acknowledge the tremendous support and cooperation from both teaching and non-teaching staff of the Human Geography and School of Social Science. My sincere thanks also to all of the authors and editors of the books, papers, and articles cited in this study.

To all of my resources, NGOs, government officials, representatives of business and associations, I am exceptionally grateful for their participation in the interviews and for generously providing many important data and information pertinent to my research.

To my Indonesian colleagues and fellow friends at Monash University, I deeply appreciate our regular brainstorm sessions and discussions. Special thanks to Mas Khoirul for his wisdom and enlightenment regarding several scholarly topics; my fellow PhD students: Gatot, Mas Ferry, Mas Tommy, Mbak Niken, and Mbak Endah for the morale support, which always helped to boost my spirit. Thank you

also to all my friends in OJWM for the fun and joy we shared during our social and musical gatherings.

Special thanks also to my younger sister, Sara, for the support with the English language side of this thesis, the shared ideas, the encouragement and her unwavering confidence in my ability to finish this thesis.

Finally, I dedicated this thesis to my family: to my late father Muljono, although you could not share my joy in this accomplishment, your son will always keep true to your advices and spirit; to my mother Kartini whose love and prayers never cease to nourish my soul; my late grandmother, Sukaesih, for her love and convictions in me; my late father in law Toni and my mother in law Cherry for their love and moral support; my sister and brother Teh Sitha and Mas Awang for their love and encouragement; my sister and brother in law, Anne and Erick for their enormous support in taking care of my family for the past three months of the study.

At last, but not the least, I owe my most profound gratitude to my wife, Amelia Tresnawaty, who had sacrificed a lot during the completion of this study. You and our children, Kevien and Keana, have given me the love and complete support in this long and winding journey in order for me to reach one of my goals in life. Without all of you, I could not possibly complete this thesis. I apologize for my intermittent absence and limited attention during the four years of my study. Thank you.

## Table of Contents

Copyright notice .....	i
Abstract .....	ii
Declaration .....	iii
Acknowledgements .....	v
Table of Contents .....	vii
List of Figures .....	ix
List of Tables .....	x
List of Abbreviations .....	xi
1 INTRODUCTION .....	1
1.1 The controversial oil .....	1
1.2 Sustainable palm oil – round tables and going it alone .....	4
1.3 Research objectives and questions .....	7
1.4 Structure of the thesis .....	8
2 PALM OIL INDUSTRY IN INDONESIA: AN OVERVIEW .....	9
2.1 Introduction .....	9
2.2 Issues and controversies .....	11
2.2.1 Forest fires and deforestation .....	13
2.2.2 Biodiversity loss and habitat destruction .....	17
2.2.3 Displacement/dispossession of indigenous and forest-dependent communities .....	20
2.3 Origin and genesis of palm oil in Indonesia .....	22
2.3.1 Netherlands East Indies period .....	22
2.3.2 Post-independence period .....	24
2.3.3 The New Order .....	25
2.3.4 Reformasi era .....	29
2.4 ‘The party line’ .....	32
2.5 Structure of Indonesia’s palm oil industry .....	36
2.6 Conclusion .....	39
3 THEORETICAL AND CONCEPTUAL FRAMEWORK .....	41
3.1 Introduction .....	41
3.2 Corporatism .....	42
3.2.1 What is corporatism? .....	42
3.2.2 Different types of corporatism .....	45
3.3 Sovereignty .....	46
3.3.1 Definition and type of sovereignty .....	46



3.4	Environmental governance .....	50
3.4.1	What is environmental governance? .....	50
3.4.2	Approaches to environmental governance .....	53
3.5	Conceptual framework.....	58
3.6	Governance in Indonesia's palm oil sector .....	59
4	RESEARCH DESIGN AND METHODS.....	65
4.1	Introduction .....	65
4.2	Research Design .....	65
4.3	Data collection.....	67
4.3.1	Document analysis .....	67
4.3.2	Semi-structured interviews .....	68
4.3.3	Site observations .....	71
4.4	Data analysis.....	73
4.4.1	Content analysis .....	73
4.4.2	Stakeholder analysis.....	74
4.4.3	Discourse analysis .....	74
4.5	Research limitations and challenges of fieldwork.....	75
5	STAKEHOLDERS IN THE INDONESIAN PALM OIL INDUSTRY .....	77
5.1	Introduction .....	77
5.2	Stakeholder analysis.....	77
5.2.1	What is a stakeholder and what is stakeholder analysis?.....	77
5.2.2	Relevance to the research.....	78
5.2.3	Applying stakeholder analysis .....	79
5.3	Stakeholders in the Indonesian palm oil industry.....	81
5.3.1	Financial institutions .....	82
5.3.2	Regulatory (government) agencies .....	87
5.3.3	Growers .....	91
5.3.4	Industry associations.....	96
5.3.5	Traders/processors.....	97
5.3.6	Indigenous and forest-dependent peoples.....	99
5.3.7	NGOs and Advocacy groups .....	102
5.4	Relationships between stakeholder groups.....	106
5.4.1	Indonesian government relationships .....	106
5.4.2	Producer relationships .....	113
5.4.3	Trader-buyer-processor-retailer relationships.....	118
5.4.4	Citizen activism.....	120

5.4.5	New alliances.....	123
5.5	Conclusion .....	125
6	PALM OIL GOVERNANCE IN INDONESIA: EMERGENCE OF THE ISPO .....	127
6.1	Introduction .....	127
6.2	Launch of the RSPO .....	128
6.2.1	A brief history .....	128
6.2.2	Who is the RSPO? .....	129
6.2.3	Dynamics within the RSPO .....	132
6.3	Indonesian Sustainable Palm Oil (ISPO) .....	135
6.3.1	What is ISPO? .....	135
6.4	Comparing the RSPO and ISPO.....	138
6.5	Neo-corporatism and sovereignty: emergence of the ISPO .....	140
6.5.1	Neo-corporatism and the role of GAPKI.....	140
6.5.2	Sovereignty.....	150
6.5.3	Sovereignty in Indonesia .....	154
6.5.4	Sovereignty, RSPO and ISPO.....	159
6.5.5	Permanent Sovereignty over Natural Resources .....	164
6.6	Discussion and conclusion.....	165
7	CONCLUSION .....	172
	REFERENCES .....	177

## List of Figures

Figure 1-1	Air Pollution from the 1997-98 Indonesian Forest Fires.....	2
Figure 2-1	Indonesia export structure, 2014.....	10
Figure 2-2	Indonesia's palm oil production and revenue, 2009-2014 .....	11
Figure 2-3	Contributor companies of forest fires 2015 .....	17
Figure 2-4	Active fires in Sumatra and Kalimantan, 2015 .....	17
Figure 2-5	Oil palm related conflicts in Indonesia, 2008.....	22
Figure 2-6	Increase of Indonesia's oil palm plantations by owner type, 1967-1997 .....	28
Figure 2-7	Smallholder plantation development (hectares), 1997-2014.....	31
Figure 2-8	Development of Indonesia's palm industry, 1998-2015 .....	32
Figure 2-9	The palm oil supply chain.....	36
Figure 2-10	The palm oil value chain and applications .....	37
Figure 3-1	Conceptual framework for this study .....	59

Figure 4-1 Map of PT Mitrakarya Agroindo in Central Kalimantan.....	73
Figure 5-1 Type of relationships between Indonesia's palm oil stakeholders.....	81
Figure 5-2 Total loans for 25 largest palm oil companies in Indonesia, 2009-2014 (US\$ million).....	86
Figure 5-3 Palm oil related conflicts in Indonesia, 2014-2016, denoted by blue points .....	116
Figure 5-4 Matrix of relationships between Indonesia's palm oil stakeholders .....	126
Figure 6-1 RSPO organisational structure .....	132
Figure 6-2 ISPO organisational structure .....	137

## List of Tables

Table 1-1 Research objectives and questions .....	7
Table 2-1 Indonesia's forest area, 2013 .....	12
Table 2-2 Acreage of Indonesian oil palm plantations, 1919-1938 .....	24
Table 2-3 Indonesia trade balance (million US\$), 2010-2014 .....	33
Table 2-4 Comparison of income per hectare of oil palm farming and other farming in North Sumatra, Riau, South Sumatra and Central Kalimantan (IDR million) .....	35
Table 2-5 Employment growth in Indonesian oil palm plantation, 2000-2013 .....	36
Table 2-6 Oil palm plantations productivity (Ton/Ha/Year), 2013.....	38
Table 4-1 Research objectives and methods .....	66
Table 4-2 Key documents collected and reviewed .....	67
Table 4-3 List of respondents.....	71
Table 5-1 World Bank investment in palm oil sector, 1965-2011.....	83
Table 5-2 IFC investment in palm oil sector, 1976-2009.....	84
Table 5-3 Major private oil palm plantation groups operating in Indonesia .....	92
Table 5-4 State-owned oil palm plantations in Indonesia .....	93
Table 5-5 10 largest palm oil consumers (manufacturer), 2015.....	98
Table 5-6 The ten largest palm oil retailers, 2015.....	99
Table 5-7 Revenue and market capitalisation of major private oil palm plantation groups in 2013 .	113
Table 6-1 Comparing RSPO and ISPO .....	139

## List of Abbreviations

AAK	Aarhus Karlshamn UK Ltd
AATHP	ASEAN Agreement on Transboundary Haze Pollution
ADB	Asian Development Bank
AfDB	African Development Bank
AIIB	Asian Infrastructure Investment Bank
AIMMI	Asosiasi Industri Minyak Makanan Indonesia (Indonesian Oleo-food Industry Association)
AIPH	Association Interprofessionnelle du Palmier à Huile (Côte d'Ivoire Interprofessional Palm Oil Association)
APKINDO	Asosiasi Panel Kayu Indonesia (Indonesia Plywood Exporters Association)
AMAN	Aliansi Masyarakat Adat Nusantara (Alliance of Indigenous Peoples of the Archipelago)
APKASINDO	Asosiasi Petani Kelapa Sawit Indonesia (Indonesian Palm Oil Farmers Association)
APOLIN	Asosiasi Produsen Oleochemical Indonesia (Indonesian Oleochemicals Manufacturers Association)
APROBI	Asosiasi Produsen Biofuel Indonesia (Indonesian Biofuel Producers Association)
BAPPIT	Badan Pengelola Perusahaan Industri dan Tambang (Coordinating Agency for Industrial and Mining Enterprise)
BNI	Bank Negara Indonesia
BOT	Build, Operate and Transfer
BRI	Bank Rakyat Indonesia
BUD	Badan Usaha Dagang (Agency of Trade Affairs)
CAO	Compliance Advisor Ombudsman
CERES	Coalition for Environmentally Responsible Economies
CIFOR	Centre for International Forestry Research
CITES	Convention on Biological Diversity and Convention on International Trade in Endangered Species
CPO	Crude Palm Oil
CPOPC	Council of Palm Oil Producing Countries
CSPO	Certified Sustainable Palm Oil
DMSI	Dewan Minyak Sawit Indonesia (Indonesian Palm Oil Board)
EA	Environmental Assessment
EBRD	European Bank for Reconstruction and Development
EIA	Environmental Investigation Agency

ELSAM	Lembaga Studi dan Advokasi Masyarakat (Institute for Indonesia's Policy Research and Advocacy)
ENGO	International and Indonesian environmental NGOs
ESAP	Environmental and Social Assessment Procedure
ESG	Environmental and Social Governance
ESP	Environmental and Social Policy
EU RED	EU Renewable Energy Directive
FBSI	Federasi Buruh Seluruh Indonesia (Indonesian Labour Federation)
FELDA	Federal Land Development Agency
FFB	Fresh Fruit Bunches
FFI	Fauna and Flora International
FIPC	Free, Prior and Informed Consent
FP2SB	Forum Pengembangan Perkebunan Strategis Berkelanjutan (Forum for Strategic Sustainable Plantation Development)
FPP	Forest People Programme
FSC	Forest Stewardship Council
GA	General Assembly
GAPKI	Gabungan Pengusaha Kelapa Sawit Indonesia (Indonesian Palm Oil Association)
GHG	Greenhouse Gas
GIMNI	Gabungan Industri Minyak Nabati Indonesia (Indonesian Vegetable Oil Refiners Association)
Golkar	Golongan Karya (Functional Group)
GPPI	Gabungan Perusahaan Perkebunan Indonesia (Indonesian Plantation Association)
GTZ	Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation Agency)
HCV	High Conservation Value
HCVF	High Conservation Value Forest
HGU	Hak Guna Usaha (Right to Exploit)
HKTI	Himpunan Kerukunan Tani Indonesia (Indonesian Farmer Association)
HNSI	Himpunan Nelayan Seluruh Indonesia (Indonesian Fisherman Association)
HPH	Hak Pengusahaan Hutan (Forest Concession Rights)
IBRD	International Bank for Reconstruction and Development
ICCPR	International Covenant on Civil and Political Rights
ICRAF	World Agroforestry Centre
ICSECR	International Covenant on Economic, Social and Cultural Rights

ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IEA	International Environmental Agreement
IFC	International Finance Corporation
IGGI	Inter-Governmental Group of Indonesia
ILRF	International Labor Rights Forum
IMF	International Monetary Fund
IPOCC	Indonesia Palm Oil Customer Care
IPOP	Indonesian Palm Oil Pledge
ISCC	International Sustainability and Carbon Certification
ISPO	Indonesian Sustainable Palm Oil
IUP	Izin Usaha Perkebunan (Permit to Establish Plantation)
IUP-B	Izin Usaha Perkebunan untuk Budidaya (Permit to Establish Processing Plantation)
IUPHHK	Izin Usaha Pemanfaatan Hasil Hutan Kayu (Procedure for Granting and Extension of License for Timber Forest Products Utilization)
KADIN	Kamar Dagang dan Industry (Indonesian Chamber of Commerce)
KAN	Komite Akreditasi Nasional (National Accreditation Committee)
KISS	Koordinasi, Integrasi, Sinkronisasi, Simplifikasi (Coordination, Integration, Synchronization, Simplification)
KKPA	Koperasi Kredit Primer untuk Anggota (Primary Cooperative Credit for Members)
KMSI	Komisi Minyak Sawit Indonesia (Indonesian Palm Oil Commission)
KNPI	Komite Nasional Pemuda Indonesia (Indonesian National Youth Committee)
KOWANI	Kongres Wanita Indonesia (Indonesian Women's Congress)
KPA	Konsorsium Pembaruan Agraria (Consortium for Agrarian Reform)
KSPSI	Konfederasi Serikat Pekerja Seluruh Indonesia (Indonesian Labour Confederation)
LoI	Letter of Intent
LPSM	Lembaga Pengembangan Swadaya Masyarakat (Institutions Promoting Community Self-Reliance)
LSM	Lembaga Swadaya Masyarakat (Community Self-Reliance Institution)
MAKSI	Masyarakat Perkelapasawitan Indonesia (Indonesian Palm Oil Society)
MDB	Multilateral Development Bank
MIFEE	Merauke Integrated Food and Energy Estate
MIGA	Multilateral Investment Guarantee Agency
MNC	Multi-National Corporations
MPOA	Malaysian Palm Oil Association

NES	Nucleus Estate and Smallholders (Perkebunan Inti Rakyat)
NGO	Non-Governmental Organisation
NSMD	Non-State Market Driven
OPEC	Organization of the Petroleum Exporting Countries
P&C	Principles and Criteria
PASPI	Palm Oil Agribusiness Strategic Policy Institute
PIR	Perkebunan Inti Rakyat (Nucleus Estate and Smallholder)
PKI	Partai Komunis Indonesia (Indonesian Communist Party)
PKO	Palm Kernel Oil
PNP	Perusahaan Negara Perkebunan (State Plantation Company)
POIG	Palm Oil Innovation Group
PPN Baru	Perusahaan Perkebunan Negara Baru (New State Plantation Company)
PSNR	Permanent Sovereignty over Natural Resources
PT MKA	PT Mitrakarya Agroindo
PT SMART	PT Sinar Mas Agro Resources and Technology
PTP	Perseroan Terbatas Perkebunan (Limited Estate Companies)
PTPN	PT Perkebunan Nusantara
RAN	Rainforest Action Network
RGDP	Regional Gross Domestic Product
RSPO	Roundtable on Sustainable Palm Oil
RSSF	RSPO Smallholders Support Fund
SALCRA	Sarawak Land Consolidation and Rehabilitation Authority
SAN	Sustainable Agriculture Network
SHARP	Smallholder Acceleration and REDD+ Programme
SOCFIN S.A	Societe Financiere des Caoutchoucs Medan Societe Anonyme
SOS	Sumatran Orangutan Society
SPKS	Serikat Pekerja Kelapa Sawit (Indonesian Oil Palm Smallholders Union)
SPOM	Sustainable Palm Oil Manifesto
SWGPO	Sub Working Group on Palm Oil
TBT	Technical Barrier to Trade
TFT	The Forest Trust
TNC	The Nature Conservancy
TuK Indonesia	Tranformasi untuk Keadilan Indonesia (Transformation for Indonesian Justice)
UNDP	United Nation on Development Programme

UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
WALHI	Wahana Lingkungan Hidup Indonesia (The Indonesian Forum for Environment)
WRI	World Resource Institute
WWF	Worldwide Fund for Nature



# 1 INTRODUCTION

## 1.1 The controversial oil

In 2012, French supermarket chain, *Système U*, launched a marketing campaign with the slogan, ‘*No to palm oil, yes to low prices. But not if it costs the earth.*’ ‘Palm oil free’ labels were placed on a number of *Système U* products. *Système U*, France’s sixth largest retail group, comprising approximately 800 hypermarkets and supermarkets, had not previously paid heed to controversies over the social and environmental costs of palm oil for the previous decade. According to the Worldwide Fund for Nature (WWF), the global environmental organisation that has campaigned for sustainable oil palm cultivation practices and palm oil certification since the 1990s, in the year prior to its *no to palm oil* campaign, *Système U* had purchased no sustainable palm oil (The Initiative for Public Policy Analysis, 2016).

The question arises, why the sudden turnaround by *Système U*? Clearly, this was a marketing tactic. *Système U*’s public relations department realised that ‘dirty’ palm oil had become deeply unpopular with the buying public, while ‘sustainable’ palm oil products were selling well. Given that around half of the items sold in today’s supermarkets contain palm oil, it was clearly time to act. Later, but still during the same year of the *no to palm oil* campaign launch, *Système U* registered to become a member of the Roundtable on Sustainable Palm Oil (RSPO) and pledged to purchase 100 per cent sustainable palm oil by 2015 (which it achieved).

*Système U* joined a growing list of major consumer goods manufacturing, food processing and retail companies committed to purchasing and selling only certified sustainable palm oil. For the sustainable palm oil movement, achieving buy-in from a majority of the world’s major food processing, consumer goods manufacturing and retail companies is a remarkable achievement. It was the result of years of concerted effort by a broad array of environmental groups, zoos, consumer groups, grass-roots and international NGOs, indigenous peoples’ organisations and networks, scholars and activists.

The campaign to raise public awareness about the negative environmental – and later social – impacts of the massive expansion of palm oil plantations began in earnest in the wake of the catastrophic Indonesian forest fires of 1997-98, considered to be the largest forest fire event in recorded history. Thick smoke and haze blanketed large parts of Indonesia, spreading to neighbouring Malaysia and Singapore (see Figure 1-1). Schools and airports were closed for days, while hospitals across the region recorded a sharp increase in acute respiratory problems, such as asthma, upper respiratory infection, and decreased lung function as well as eye and skin irritation.

The fires incinerated over eight million ha of forest, scrub, peatland, farmland, plantations and logged-over grassland. Much of this area was important habitat for a wide variety of tropical fauna, including a number of critically endangered – and highly charismatic – species such as the orangutan, Sumatran tiger and rhinoceros (Nantha & Tisdell, 2009; Wakker, 2000; Wich, Riswan, Jenson, Refisch, & Nellemann, 2011).

Most popular accounts blamed small-scale ‘slash and burn’ agriculturalists in combination with a particularly severe El Niño event resulting in a drier than normal dry season for the conflagration (see for example CIFOR, 2015; Schweithelm & Glover, 2009; Tay 2002; Varkkey, 2013). However, in scientific, government and (to a lesser extent) industry discussions and analyses, the main cause of the fire event is widely acknowledged as illegal land clearing for new palm oil plantations on the continental islands of Sumatra, Kalimantan and Papua (McCarthy & Cramb, 2016; Varkkey, 2013).

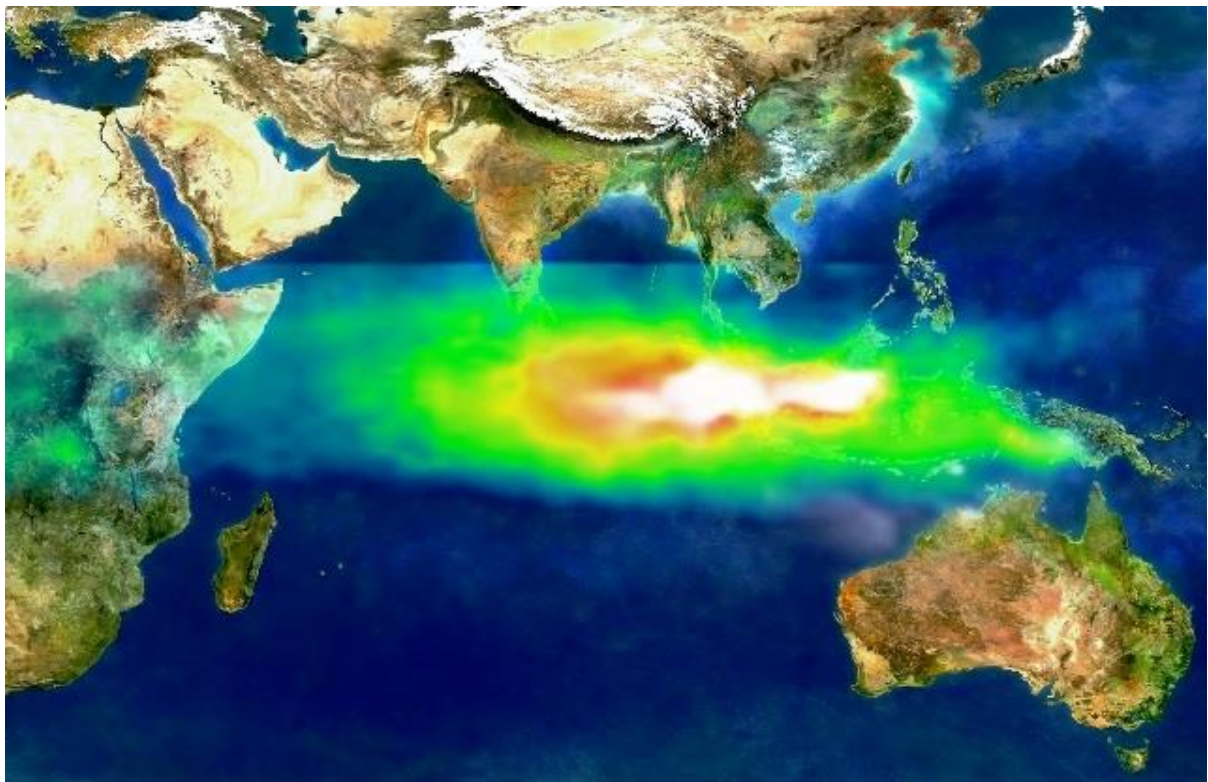


Figure 1-1 Air Pollution from the 1997-98 Indonesian Forest Fires

Source: <https://commons.wikimedia.org/w/index.php?curid=314299>

Palm oil is the most commonly used food oil in the world, accounting for approximately 30 per cent of all oils and fats consumed (Oil world, 2017). One source estimated that humans consumed an average of 7.7 kilograms of palm oil per person in 2015 (Raghu, 2017), and around 50 per cent of food products sold in supermarkets contain palm oil (Smedley, 2015).

Oil palm is an exceptional oleaginous crop, producing high quality oil resistant to oxidation with a high smoke point, rich in carotenes, vitamin E and a high concentration of saturated fats (i.e., 'good' fats). Furthermore, *Elaeis guineensis* produces a higher oil yield per hectare than any other oilseed by a considerable margin. Together, Indonesia and Malaysia account for 85 per cent of world palm oil production – around 57 million tons per annum (Indonesia Investment, 2017).

The palm oil industry, especially in Indonesia, symbolises the tensions between the urgent need to preserve natural spaces and necessary support for economic development in the global South. To industry, government leaders and many international development finance organisations, such as the World Bank and Asian Development Bank, palm oil production has potential to end poverty and bring prosperity and development to poor rural communities across the archipelago. Palm oil is currently Indonesia's primary export commodity, surpassing oil and gas as the country's primary source of export revenue. Between 2009 and 2015, Indonesia's palm oil sales increased by approximately 50 per cent from US\$10.3 billion to over \$15 billion (Badan Pusat Statistik, 2017) and this growth trajectory is expected to continue. The Indonesian government views the palm oil industry as a key pillar in its mission to reduce poverty, generate employment, and promote development in remote rural areas (Indonesia Palm Oil Customer Care, 2014; PASPI, 2014).

In May 2017, the Indonesian Ministry of Environment and Forestry sought an additional two-year extension on a moratorium on issuing new licenses to use primary forest and peatland for new plantation development or expansion (Nangoy, n.d). The moratorium, first implemented in 2011, was introduced to reduce greenhouse gas emissions linked to fires caused by land clearing. The moratorium was intended to provide time for Indonesia to address forest land classification and demarcation, forest conversion policy, peatland conservation, land use conversion and permitting (Austin, Gingold & Prasodjo, 2011). Six years and three moratorium extensions later, that effort is still underway.

That Indonesia has placed a hold on what the government considers a primary driver of economic growth and increased revenue, regional development, employment generation and poverty alleviation signals the importance the government places on balancing economic growth with environmental conservation. Indonesia, however, has a poor track record and reputation in regard to forest management and conservation. Since the 1970s, logging, plywood exports and plantation development (mostly oil palm and pulp, also rubber) have driven one of the greatest deforestation events in recent history with estimated forest cover in Indonesia decreasing from 170 million ha to less than 100 million. In the final decade of the 20<sup>th</sup> century, Indonesia lost an average of 1,871,500 ha of forest per year (Butler, 1994-2006).

What has changed in order for Indonesia to place a moratorium on palm oil plantation expansion? Could it be that the same NGO and consumer activism that led France's *Système U* supermarket chain to promote green palm oil has convinced the Government of Indonesia to fundamentally change the way business is done in the country?

The Indonesian government has had a contentious and complicated relationship with international and national NGOs and environmental groups, dating back to the 1970s and early '80s. Although relations have improved since the end of the 32-year reign of former General Suharto in 1997, the fundamental dynamic of mutual distrust and suspicion remains. Be that as it may, this thesis posits that a primary driver behind Indonesia's effort to promote sustainable palm oil production is international NGO and consumer activism, which led to establishment of new forms of environmental governance, in particular a certification scheme for sustainable palm oil production and trade.

## 1.2 Sustainable palm oil – round tables and going it alone

After a few years of contentious and often confronting campaigns, environmental NGOs such as WWF and Greenpeace changed tactics and sought to work with palm oil producers, processors and marketers. Environmental campaigners realised that people could not stop consuming palm oil products, particularly as half the items on supermarket shelves contain palm oil. While improved labelling could assist conscientious consumers to make environmentally sound choices, what were the alternatives to palm oil and were they any better for global sustainability?

Without abandoning the tactics of naming and shaming, a few leading environmental NGOs shifted focus and began encouraging plantation owners to change land preparation and horticultural techniques to reduce the negative environmental impacts of oil palm cultivation. At the same time, these NGOs encouraged importers, processors and retailers to reward these growers by preferentially purchasing oil produced using environmentally sustainable methods. In 2004, WWF joined with palm oil producers and processors Unilever, Migros and AarhusKarlshamn UK Ltd, and the Malaysian Palm Oil Association (MPOA), to form the Roundtable on Sustainable Palm Oil (RSPO). According to its website, RSPO is:

...a not-for-profit that unites stakeholders from the seven sectors of the palm oil industry: oil palm producers, processors or traders, consumer goods manufacturers, retailers, banks/investors, and environmental and social non-governmental organisations (NGOs), to develop and implement global standards for sustainable palm oil (Roundtable on Sustainable Palm Oil, 2017a).

The website goes on to explain that RSPO:

...has developed a set of environmental and social criteria which companies must comply with in order to produce Certified Sustainable Palm Oil (CSPO). When they are properly applied, these criteria can help to minimize the negative impact of palm oil cultivation on the environment and communities in palm oil-producing regions.

In 2008, four years after its founding, the RSPO produced a detailed set of Principles and Criteria for Sustainable Palm Oil Production for certification by Accredited Certifying Bodies. These criteria require that no primary forests or areas containing significant concentrations of biodiversity, endangered species or fragile ecosystems be cleared. The criteria also call for reduced use of pesticides and fire, fair treatment of workers and the need to inform and consult with local communities before development of new plantations on their land (Roundtable on Sustainable Palm Oil, 2017b). Once certified, producer and processor members may use the RSPO trademark on packaging.

Thirteen years after its inception, the RSPO has more than 3,000 members worldwide representing all links of the palm oil supply chain. RSPO has made significant inroads in the industry, shaping international discourse and perceptions about palm oil and sustainability. Many large Indonesian producers joined RSPO and initiated certification procedures. The RSPO does not include governments as members, but the Indonesian Palm Oil Association (GAPKI) became a member, effectively serving as the Indonesian government's *de facto* representative.

In 2011, the year RSPO launched its trademark and celebrated the first million hectares of certified sustainable palm oil (CSPO) production area, GAPKI declared its intention to withdraw from the RSPO, and the Indonesian government announced establishment of its own, government-run Indonesian Sustainable Palm Oil (ISPO) scheme. To most observers this appeared a risky and retrograde move. As noted, Indonesia has a poor reputation internationally regarding forest and environmental management practices. Furthermore, multi-stakeholder forums are considered international best practice for environmental governance, whereas this action by the Indonesian government reverted to a government-managed top-down regulatory system. In addition, ISPO is a tactic employed by one government (Indonesia) that is very similar to tactical moves by other producer states in the global south to push back against global schemes by creating their own regulatory frameworks. Examples of such regulatory frameworks including Brazilian Soja Plus and Malaysia Sustainable Palm Oil.

The author's interest in sustainability began in 2009 while assigned to analyse trade barriers faced by Indonesian products in trading partner countries, including allegations of dumping or unfair subsidies

and other non-tariff barriers. In relation to the latter, the author perceived that a central issue applied by many trading partner nations, especially EU countries and the US, to inhibit entry of Indonesian products into their countries was sustainability. The commodity most frequently targeted was Indonesian palm oil. By the first quarter of 2013, a few months before the author commenced this research, there were at least seven cases of market access barriers to palm oil, which the author had to deal with as an official of the Indonesian Ministry of Trade. This experience was the impetus for the author to propose a research project on the topic of whether Western NGO and consumer activism comprised a non-tariff barrier to trade. It seemed to the author that these practices unfairly targeted Indonesian palm oil producers and hampered Indonesia's efforts to advance the development of its economy and society.

As is often the case with PhD research, the topic evolved and broadened. The author's interest shifted toward understanding the emergence and practice of environmental governance in the palm oil sector, focusing on establishment of the RSPO and ISPO mentioned above. In particular, the author was drawn to explore reasons for establishment of the ISPO, as it seems to run counter to the propositions and conclusions put forward in most current literature on the topic. Thus, the purpose of this thesis is to understand the reasoning and motivations behind Indonesia's decision to withdraw from the RSPO and 'go it alone' on palm oil governance. This thesis is *not* an assessment of the impact of the ISPO, nor a description or analysis of the ISPO implementation process. Rather, it is an attempt to uncover the motives and rationale that led to Indonesia's break from the RSPO.

This research identified two particular facets of Indonesia's 'national character' rooted in its colonial and post-colonial history that help explain Indonesia's decision to renounce RSPO membership. These facets are deeply held notions of, and powerful emotional attachment to, national sovereignty; and a particular form of socio-political organisation and interest representation known as corporatism. This thesis, after first presenting an overview of Indonesian palm oil, examines how these particular discourses and forms evolved in Indonesia, and how they helped shape the trajectory of Indonesia's engagement with NGOs, food processing and consumer goods corporations, and the RSPO. While sustainable palm oil production, and sustainable palm oil certification, continue to evolve, this research presents a snapshot of this process as it unfolds, focusing on decisions of one of the main players, Indonesia, who has decided to play alone.

A study by Wijaya and Glasbergen (2016) examined the emergence of ISPO, arguing that the Government of Indonesia decision was driven by national pride, perceived imbalances in power relationship between consumer and produces countries within the RSPO, and a perception that the RSPO is not operating in the best interests of the Indonesian government and producers.

These reasons, however, did not emerge totally out of a vacuum. In contrast with Wijaya and Glasbergen 2016 study, this thesis attempts to further unpack the Indonesian government's decision to establish the ISPO, looking back to relations and attitudes formed during the colonial period.

### 1.3 Research objectives and questions

Through examination of the establishment of the RSPO and ISPO, this research aims to trace the evolution of palm oil governance in Indonesia. This research has three key objectives, presented in Table 1-1. Much of the manuscript is descriptive in nature, providing an overview of the genesis and structure of the palm oil industry in Indonesia and the context in which it developed. This discussion also addresses many of the problems and controversies that have dogged palm oil production over recent decades. The description then turns to palm oil stakeholders, mapping their roles, interests and influence, analyses relationships between them and the role these play in shaping palm oil governance initiatives.

Interviews with a range of stakeholders pointed to particular features of Indonesian political history and discourse that shaped attitudes and responses to particular phenomena and events. Indonesian producers and officials resisted what they perceived as antipathetic and hegemonic campaigns by foreign meddlers and opponents, and chafed at being directed and supervised by entities that innately would not have Indonesia's interests at heart. The final section of this thesis unpacks this complex dynamic, using the lenses of corporatism and sovereignty to structure and guide analysis.

Table 1-1 Research objectives and questions

Research Objectives		Research Questions	
1	To comprehend the development and structure of the palm oil industry in Indonesia.	What factors supported and hindered the development of the palm oil industry in Indonesia?	
		How is the industry structured in Indonesia, and how does it link to international markets?	
2	To accurately represent stakeholders' roles and interests in the Indonesian palm oil industry.	Who are key stakeholders in the Indonesian palm oil industry?	
		What are the interests and relative influence of different stakeholder groups?	
		How are the relationships among palm oil stakeholders in Indonesia?	
3	To understand the reason and factors behind the Indonesian government's decision to withdraw from the Roundtable	How have Indonesian palm oil stakeholders responded to international NGO and consumer activism?	

Research Objectives	Research Questions
on Sustainable Palm Oil (RSPO) and establish the Indonesian Sustainable Palm Oil (ISPO)	How did Indonesian palm oil stakeholders respond to the establishment and operations of the RSPO?
	What motivated the Indonesian government to withdraw from the RSPO and establish their own state-led, top down, 'command and control' palm oil certification scheme?

#### 1.4 Structure of the thesis

This thesis is divided into seven chapters:

Chapter 1 is the introduction.

Chapter 2 provides an overview of Indonesia's palm oil industry. This chapter first summarises some problems and controversies surrounding palm oil in Indonesia, followed by a brief history of the palm oil industry in Indonesia through various historical epochs. The discussion then turns to the Government of Indonesia's (and Indonesian large-scale palm oil producers') 'party line' regarding the important and beneficial role that palm oil plays in Indonesia's economic and social development. The chapter concludes with an overview of palm oil industry structure in Indonesia.

Chapter 3 presents the theoretical and conceptual framework for this thesis. It introduces three themes relevant to this research: corporatism, sovereignty and environmental governance.

Chapter 4 presents research design and methods. The first section sets out the research design of this study – a case study – and discusses why this particular approach is appropriate for this research. The second section discusses data collection methods used and provides a short synopsis of sources. The chapter concludes with a discussion of data analysis techniques employed, i.e., content, stakeholder and discourse analysis.

Chapter 5 provides an overview of key actors in Indonesia's palm oil industry. This chapter identifies and categorises internal and external stakeholders and examines their interests and influence, particularly with regard to environmental management and sustainability certification. The final section unravels relationship patterns between and among Indonesia's palm oil actors.

Chapter 6 presents analysis of palm oil governance in Indonesia, focusing on establishment of Indonesian Sustainable Palm Oil (ISPO). The discussion in this chapter links empirical data collected with theories introduced in Chapter 3.

Chapter 7 concludes the thesis with closing thoughts and remarks.



## 2 PALM OIL INDUSTRY IN INDONESIA: AN OVERVIEW

### 2.1 Introduction

This chapter provides a chronological overview of Indonesia's palm oil industry. Discussing the connection between past and present is important to provide better understanding of factors that influence current development of the palm oil sector in Indonesia.

The oil palm (*Elaeis guineensis*) exists in wild, semi-wild and cultivated states in three main areas: Southeast Asia, Africa and South and Central America (Hartley, 1967). The species' dispersal into some of these areas dates back to before the industrial age,<sup>1</sup> however, most scholars agree on African origin of the oil palm based on archaeological, historical and linguistic evidence. It is certain that much spread of the oil palm was the result of its domestication (Corley & Tinker, 2016).

Archaeological evidence indicates the use and sale of palm oil dates back as far as 3,000 BC with the discovery of several kilograms of palm oil in an Egyptian tomb in Abydos. For thousands of years the use of palm oil was restricted to culinary purposes (Rival & Levang, 2014). The Industrial Revolution in Europe in the 19<sup>th</sup> century led to wider usage of this tropical oil as a raw material for industries, including as a machinery lubricant, in soap and candles, as well as the tin-plate industry (Hartley 1967). The mid-20<sup>th</sup> century saw a boom in prepared food which widened the palm oil market. As Rival and Levang (2014) explain, its distinguishing characteristics – resistance to oxidation and capacity of being fried at high temperatures – place palm oil as the food industry's preferred vegetable oil. As mentioned previously, it is currently estimated that palm oil and its derivatives can be found in half of all products found in supermarkets, from food products to hygiene and beauty products (Indonesia Palm Oil Customer Care, 2014).

The expansion of oil palm monoculture – as a consequence of increasing demand for palm oil – has given rise to a variety of issues and controversies. As Pye (2009) argues, the controversies surrounding the palm oil are not due to the plant itself, but rapid monoculture expansion which has led to environmental and social problems. If palm oil has an image problem, Indonesian palm oil often singled out as the worst offender.

Oil palm plantation expansion and production in Indonesia experienced a period of remarkable growth over the last three decades. With about 300 thousand ha in 1980, the area under cultivation expanded to nearly 11 million ha in 2014 with concomitant increase in annual production from 720 thousand tons to more than 29 million tons in the same period (Ministry of Agriculture, 2015). Palm

---

<sup>1</sup> Cook (1942, as cited in Corley & Tinker, 2016; Hartley, 1967), for example, suggested that palm oil originated in Brazil and was transported to Africa in pre-Colombian times.

oil plantations have expanded to 23 of Indonesia's 34 provinces, with key producers being Riau, North and South Sumatra, Jambi and Central, West and East Kalimantan. Today, 160 years after first introduction to the archipelago, the once ornamental oil palm has been developed into a multi-billion dollar industry with a complex chain of supply, involving a host of national and international stakeholders including government, plantation owners, small-holders, palm oil processors and traders, consumer goods manufacturers, retailers, banks and investors, and civil society.

As nearly half of global palm oil consumption is presently supplied by Indonesia, thus palm oil has become Indonesia's most important export commodity and one of the main pillars of the country's national economic strategy. Palm oil exports now surpass oil and gas, which had long been Indonesia's primary source of export revenue (Figure 2-1). The importance of palm oil to Indonesia's economy is evident in continuous increases in export values. From 2009 to 2014 Indonesia's export value of palm oil and derivatives rose from US\$10.3 billion to over US\$15 billion, an increase of 50 per cent (Badan Pusat Statistik, 2017) (Figure 2-2). Along with importance as a source of revenue, the Indonesian Government has positioned the palm oil sector as a strategic pillar of rural development, poverty alleviation and employment generation (Indonesia Palm Oil Customer Care, 2014; PASPI, 2014).

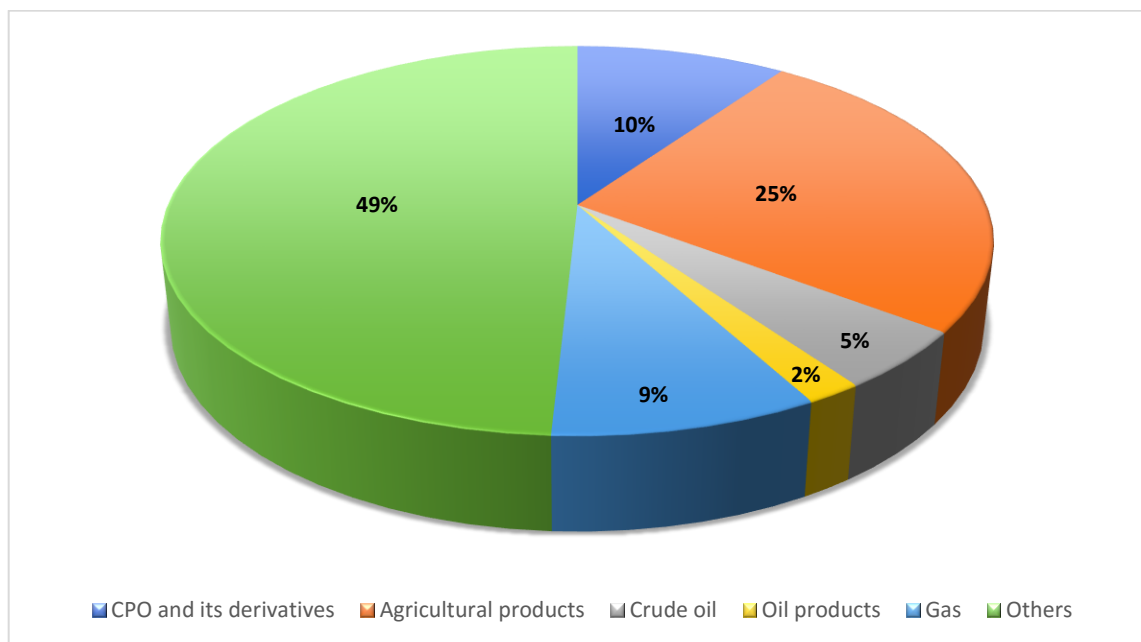


Figure 2-1 Indonesia export structure, 2014

Source: <https://www.bps.go.id/>

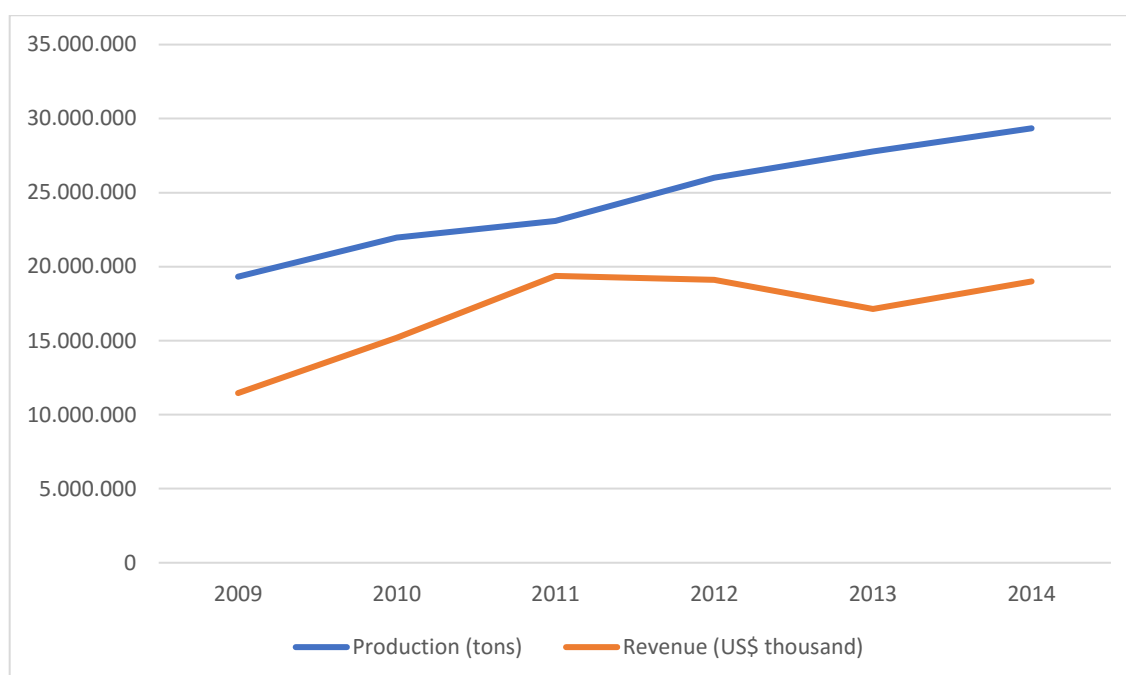


Figure 2-2 Indonesia's palm oil production and revenue, 2009-2014

Source: Ministry of Agriculture (2015); Badan Pusat Statistik (2017)

This chapter discusses development of the palm oil industry in Indonesia, beginning with a discussion of current issues and controversies before proceeding to chronological development of the industry since the plant's first arrival in the archipelago to the present era of rapid economic growth and political reform. Next, the role of the palm oil industry to the country's economy from the standpoint of the government and industry is discussed. The chapter closes with a description of the structure of the palm oil industry in Indonesia.

## 2.2 Issues and controversies

Indonesia is among ten countries with the highest proportion of forested land in the world (Food and Agriculture Organization, 2010). According to Ministry of Forestry (2014), in 2013 Indonesia had 124,022,848.67 ha of terrestrial forests, accounting for more than 60 per cent of the country's total land area. The various categories that make up Indonesia's national forest estates are presented in Table 2-1. Indonesia's vast tropical rainforests— ranking third behind Brazil and Democratic Republic of Congo (Forest Watch Indonesia/Global Forest Watch, 2002) – provide habitat to countless species of plants and animals, as well as very large numbers of forest-dependent communities, including many indigenous groups.

Table 2-1 Indonesia's forest area, 2013<sup>2</sup>

Type of forest	Area (hectares)
Sanctuary Reserve Area + Nature Conservation Area	21.9 million
Protection forests	29.9 million
Limited production forests	27.7 million
Convertible production forest	15.5 million
Production forests	28.9 million
TOTAL FOREST AREA	123.9 million

Source: Ministry of Forestry (2014, p. 9).

For decades, Indonesia's economy has been highly dependent on the forestry sector and other industries that require forest lands, such as estate crops, agriculture and mining (Indrarto et al., 2012). As Resosudarmo explains (2002, p. 161), "since the early 1970s, the forestry sector in Indonesia has played a major role in national development as the largest source of non-oil foreign exchange earnings, a promoter of industrial development and employment opportunities, as well as a contributor to regional development".

Indonesia has one of the highest deforestation rates of any country in the world. Conversion of forest to other purposes, such as agriculture and timber plantations, in conjunction with other drivers of deforestation, such as fires and illegal logging (Glastra, Wakker & Richert, 2002), has become one of the main contributors to forest loss and habitat loss for endangered species (Wich et al., 2011), as well as emissions of greenhouse gases (GHG).

Indrarto et al. (2012) documented that from 1985 to 1997 the reported average annual deforestation rate in Indonesia was 1.87 million ha. This increased dramatically to 3.51 million ha per year between 1997 and 2000. From 2000 to 2005, the reported figure dropped again to 1.08 million ha per year, increasing again to 1.17 million ha annually in the period 2003 to 2006. In 2009-10, this figure decreased to 832,126.9 ha per year. Throughout much of this period (1985-2010), conversion of forest land to palm oil plantations was a major driver of deforestation. Palm oil expansion is largely driven by high palm oil prices and rising export market demand (Indrarto et al., 2012; Kartodihardjo & Supriono, 2000).

Rapid expansion of oil palm plantations has been a focal debating point among NGOs, scholars, government and the business sector. Environmentalists accuse palm oil producers of conducting unsustainable practices, such as use of fire to open new plantation areas, destruction of conservation

---

<sup>2</sup> Sanctuary reserve areas have the main function as a preservation area for vegetation and animal diversity. Nature conservation function to protect life support systems, preserve vegetation and animal diversity. Protection forests areas function to protect life buffer systems. Limited production forest areas are allocated for low intensity timber production. Convertible production forests can be converted into non-forest areas. Production forests main function is to yield forest products.

and protection forests, violations of permits, lack of Free Prior and Informed Consent (FPIC) by indigenous and local communities, corruption and collusion among government officials and business, bogus nucleus estate schemes, even deadly conflict between local people and oil palm production companies. On the other hand, palm oil proponents refute these indictments, insisting that a few rogue operators give the industry a bad name. They emphasise oil palm's role as a driver of regional development, economic growth and job creation, and suggest that palm oil used as a biofuel can lead to reduction in greenhouse gas emissions (Pye, 2013). Somewhat controversially, some oil palm industrialists in Southeast Asia argue that oil palm cultivation has not come at the expense of forest, but argue that oil palm plantations can actually be *advantageous* [italics added] to biodiversity (Koh & Wilcove, 2008).

In December 2009, at the G-20 Meeting in Pittsburgh, United States, President Susilo Bambang Yudhoyono stated that Indonesia would voluntarily contribute to global emission reductions by targeting a national GHG emission reduction of 26 per cent from business as usual by 2020, increasing to up to 41 per cent with international assistance. Indonesia plans to achieve 87 per cent of this goal by reducing emissions from deforestation and peat land conversion (Austin, Sheppard & Stolle, 2012). As a step toward achieving this goal, the government introduced Presidential Instruction No. 10/2011, the Moratorium on Granting New Licenses and Improvement of Natural Primary Forest and Peatland Governance. This Presidential Instruction placed a two-year moratorium on new concession grants for exploitation of primary natural forests and peat (Austin et al., 2012).

Next sections focus on some main problems and controversies regarding rapid development of the palm oil industry in Indonesia. Over recent last decades, numerous scholars and activists have documented environmental and social impacts of the palm oil industry in Indonesia, particularly deforestation, biodiversity loss and habitat destruction (see for example Carlson et al., 2012; Fitzherbert et.al., 2008; Indrarto et al., 2012; Nantha & Tisdell, 2009; Pye, 2009; Wakker, 2000; Wich et.al., 2011), forest fires and haze (see for example Greenpeace, 2008; Nelleman, Miles, Kaltenborn, Virtue, & Ahlenius, 2007; Siscawati, 1998) and social conflicts and human rights violation (see for example Afrizal, 2013; Colchester et al., 2006, Colchester & Jiwan, 2006; Jiwan, 2013; Palupi et al., 2014; Rist, Feintrenie & Levang, 2010; Rival & Levang, 2014; Sheil et al., 2009).

### 2.2.1 Forest fires and deforestation

Forests and the soil beneath them have a vital role in global climate and hydrological processes, including nutrient cycling, stabilising regional climate and hydrology, and functioning as carbon sinks, (Syarif, 2010). According to Olander, Boyd, Lawlor, Madeira & Niles (2009), forests have vital role as terrestrial carbon reservoir, they constantly cycle carbon and absorb more carbon out of the

atmosphere than they emit. Globally, forests store around 1,200 gigatons of carbon, considerably more than is present in the atmosphere (Freer-Smith, Broadmeadow & Lynch, 2007).

Much of Indonesia's low land forest is located on peatland. According to Wahyunto, Ritung, Suparto and Subagjo (2005), there are currently 20.6 million ha of peatland forests in Indonesia, mainly spread across four islands: Sumatera (35 per cent), Kalimantan (32 per cent), Sulawesi (3 per cent) and Papua (30 per cent). Peatland, as Corlett (2009, cited in Thorburn & Kull, 2015) explains, has several ecological functions, such as regulating water flow and stabilising regional evaporation rates. Furthermore, peatland forests are among the most important carbon sinks in the world. Indonesian peatland forests can store 54 gigatons of carbon, more than any other tropical country on the planet (Wich et al., 2011). With such a huge amount of carbon stock – which is important to maintain the global climate – it is essential to maintain the quality and quantity of Indonesia's forests in order to reduce the impacts of climate change (Syarif, 2010).

Forest fires are possibly a main cause of the forest loss in Indonesia, and this is not a new problem. Indonesia has suffered major forest fires on a regular basis since the 1980's (Yeager, 2008), particularly on the islands of Kalimantan and Sumatra. In 1983, for example, fires in Kalimantan and Sumatra forests lasted several months and were considered the biggest forest fires in history, affecting more than 3.5 million ha of forest area (Forest Watch Indonesia/Global Forest Watch, 2002; Siscawati, 1998). Furthermore, from 1983 to 1994, there were at least three major forest fires in Kalimantan and Sumatra, burning nearly 2 million ha of forest area (Siscawati, 1998).

In 1997 and early 1998, Southeast Asia again experienced another significant fire year that affected 23 Indonesian provinces (Indrarto et al., 2012). The fire-monitoring unit of the German Technical Cooperation Agency (GTZ) estimated that the fires burned around 3.3 million ha of Indonesian forest. Dr Klaus Toepfer, Head of the United Nations Environment Programme (UNEP), declared the fires a global disaster (Tay, 2002), mainly due to the substantial amount of carbon emitted (Tacconi, 2003).

The ecological, social and economic impact of Indonesian forest fires is tremendous. Siscawati (1998) notes that fires damage habitat, feeding grounds and roaming areas of wildlife, causing changes in wildlife behaviour. Several studies demonstrate that fire has severe impact on tree mortality and forest structure, as well as permanently changing forest tree species composition due to replacement by other vegetation (see for example Baker, Bunyavejchewin & Robinson, 2008; Slik, Verburg & Keßler, 2002; van Nieuwstadt & Sheil, 2005; Yeager et al., 2003). For instance, repeated burning in Kalimantan has replaced original dipterocarp forests with *alang-alang* grassland (Siscawati, 1998).

Indonesian forest fires contribute to global warming as many fires occur on peatlands which releases massive amounts of carbon into the atmosphere. Tay (1999) estimate that one billion tons of carbon dioxide gases were released to the atmosphere during the 1997/1998 Indonesian forest fires, more emissions than all of Western Europe for the same period. A recent assessment shows that between 2000 and 2006 Indonesia's peatland GHG emissions from fire, peat oxidation and loss of aboveground biomass through deforestation amounted to an average of 903,000 Gigagrams (Gg) of CO<sub>2</sub> annually (Indrarto et al., 2012). In 2006, Indonesia was ranked the world's third largest emitter of GHG, after China and the United States (Anderson, 2013). In addition, peatland fires are dangerous as these fires may continue to burn deep underground for months, destroying tree roots and seed banks (Siscawati, 1998).

Indonesian forest fires have resulted in billions of dollars in lost revenue. For example, estimated economic loss due to the 1997/1998 forest fires was between US\$3.8 to 20 billion, including health care costs and losses suffered by the tourism and airline industries (Karim, 2008; Schweithelm & Glover, 2000; Tay, 1999; Wakker, 2000). In addition, haze caused by annual fires disrupts lives and livelihoods across major oil palm growing regions in Sumatra and Kalimantan. The haze causes widespread and prolonged respiratory problems, school closures and disruptions to air transport, giving rise to growing public anger. Depending on prevailing winds, the haze can travel across the Straits of Malacca or South China Sea blanketing the Malay Peninsula and parts of mainland Southeast Asia, causing tension between Indonesia and its neighbours.

Several studies show that most Indonesian forest fires are set intentionally, confirming the link between fire and expansion of oil palm plantations (Nelleman et al., 2007; Siscawati, 1998; Tay, 1999; Wakker, 2000; Yeager et al., 2003). Although the El Niño climatic phenomenon plays a catalytic role in many forest fires, satellite imagery and other evidence clearly shows that the majority of fires in this region are deliberately set (Karim, 2008). Although the Indonesian government has banned the use of fire to clear land for new plantations, it still remains the most common means of clearing forest and scrub (Siscawati, 1998). Until mid-1997, it was well known that most oil palm plantation companies in Indonesia made use of fire to clear land. When these companies applied to the bank for credit, burning was listed as a cost component, amounting to about ten per cent of land clearing cost (Wakker, 2000). Comparison of land use map satellite images showing fire hot spots, as reported by Indonesian officials for the 1997/1998 fires, showed that around 80 per cent of fires occurred in oil palm and pulp plantation concessions, deliberately lit by owners, with the remainder ignited by smallholders (Siscawati, 1998; Tay, 1999).<sup>3</sup> According to Djamaluddin Suryohadikusumo, the Minister

---

<sup>3</sup> Article 69 of the Law No. 32/2009 concerning Environmental Protection and Management allows for a smallholder to slash and burn land up to two hectares per family for land clearing.

of Forestry at that time, 46 per cent of hot spots shown in satellite images on 28 September 1997 were located on oil palm plantations (Hidayat, 2008). As a result, 176 plantation companies were publicly identified as suspected culprits, including 43 Malaysian companies (Siscawati, 1998). The 1997/1998 fires caught the attention of the international community, mainly NGOs, regarding the impact of oil palm cultivation in Indonesia (Hai, 2013), resulting in international scrutiny and condemnation.

Palm oil companies have denied accusations of intentional forest burning. Burning forest to open up new plantations for large palm oil companies is no longer an option due to a zero-burning policy.<sup>4</sup> Moreover, palm oil companies claim forest fires will cost them trillions of rupiahs due to reduced productivity and related costs (Ali, 2015). According a staff member interviewed during an observation in PT Mitrakarya Agroindo (PT MA) in Central Kalimantan, fires are often lit by local people who own agricultural plots within the oil palm company's concession area.

Eighteen years after the 1997/1998 inferno, close correlation between oil palm expansion and the incidence of forest fires in several regions, such as Sumatra and Kalimantan, is irrefutable. During another major forest fire season in 2015, more than 9,000 hot spots were identified in oil palm plantations in Sumatra and Kalimantan (Verherdimanto, 2015). *Wahana Lingkungan Hidup Indonesia* (The Indonesian Forum for Environment/WALHI) identified at least ten major corporations responsible for forest and land fires, including Wilmar Group, Sinar Mas Group, Raja Garuda Mas Group and Sampoerna Group (Figure 2-3). Further, the Ministry of Environmental and Forestry confirmed 24 companies with fires within their concession areas contributed to the prolonged haze disaster (Utomo, 2015), of which three company permits were revoked (Figure 2-4) ("*Kementerian LHK bekukan*," 2015).

---

<sup>4</sup> Interview with PT SMART Tbk on 18 February 2015.



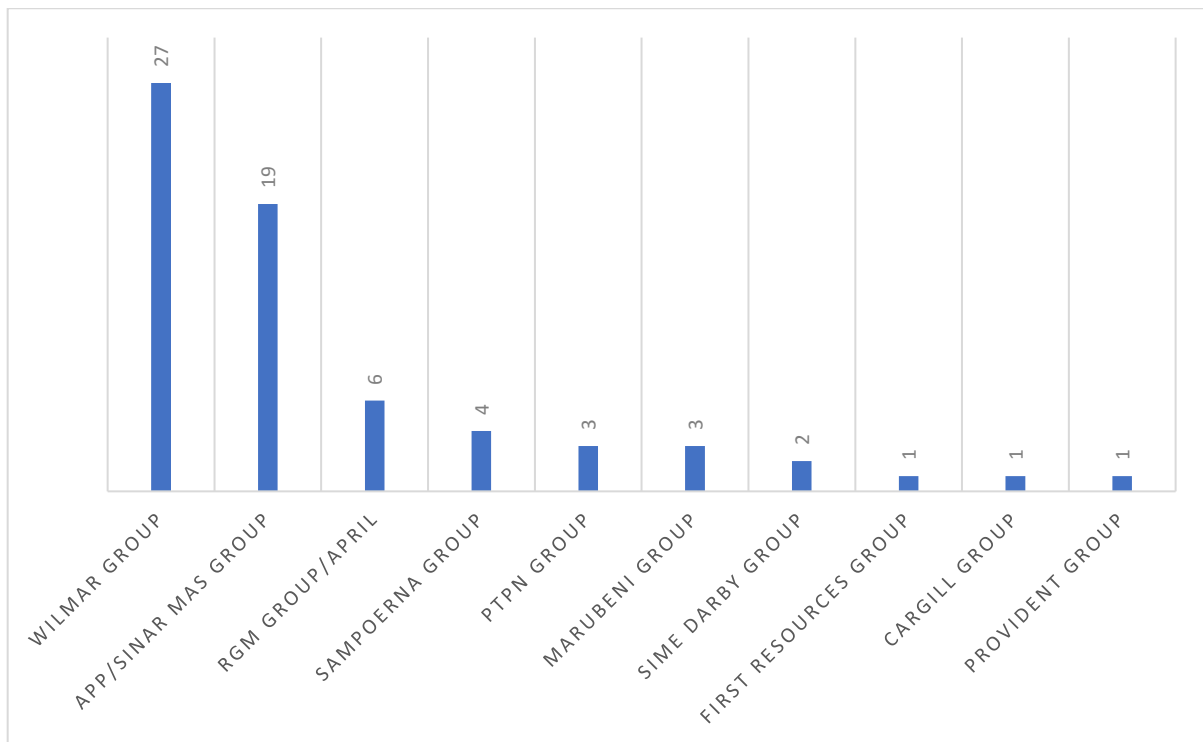


Figure 2-3 Contributor companies of forest fires 2015

Source: WALHI (2015)



Figure 2-4 Active fires in Sumatra and Kalimantan, 2015

Source:

[http://fires.globalforestwatch.org/home/#v=map&x=115&y=0&l=5&lyrs=Tomnod%3Atomnod\\_sel%3ALand\\_Use%2F1](http://fires.globalforestwatch.org/home/#v=map&x=115&y=0&l=5&lyrs=Tomnod%3Atomnod_sel%3ALand_Use%2F1))

### 2.2.2 Biodiversity loss and habitat destruction

Rapid expansion of oil palm plantations results in concern over biodiversity loss and destruction of natural habitat in Indonesian forests. According to the State Ministry of Environment (1995), Indonesia's tropical rainforests are a world 'mega centre' of biodiversity, home to diverse habitats, rich plant and animal resources and a large number of endemic species. Around 17 per cent of all

global species habituate Indonesia, this is more life forms than in the whole of Africa (State Ministry of Environment, 1995). In terms of numbers, Indonesia is known to be home of at least:

- 515 types of mammals (12 per cent of the world's total, ranking first in the world, with 36 per cent of endemic mammals),
- 1,531 bird species (17 per cent of the world's total, ranking fourth in the world, with 28 per cent endemic species),
- 600 reptile species and 270 amphibian species (16 per cent of the world's total),
- 122 swallowtail butterfly species (ranking first in the world, with 44 per cent endemic), and
- 28,000 types of flowering plants (11 per of the world's total, ranking seventh in the world) (Ministry of Environment, 1995; Syarif, 2010).

The above description of Indonesian biodiversity, spread across Indonesia's seven biogeography regions, demonstrates the diversity of Indonesian ecosystems (State Ministry of Environment, 1995). For example, Sumatran tropical rainforests are habitat to some of the most spectacular mammal species on the planet, such as Sumatran tigers, Sumatran elephants and Sumatran rhinoceros (Wich et al., 2011). Kalimantan and northern Sumatra provide habitat to the orangutan, the largest arboreal animal in Indonesia's forests with an important role in forest preservation as they disperse around 200 kinds of seeds (State Ministry of Environment, 1995). There are around 3,000 tree species known in Kalimantan's forests, and nearly 2,500 species of orchids found in Papua's forests (State Ministry of Environment, 1995).

Although Indonesia is a world leader in terms of biodiversity, Indonesia also leads the world in terms of endangered species. For instance, there are at least 146 threatened mammals and 119 threatened bird species in Indonesian forests (Baillie, Hilton-Taylor & Stuart, 2004). A report by USAID Indonesia (Yeager, 2008) shows that several Indonesian species are considered critically endangered, including ali starling, the yellow-crested cockatoo, Javanese rhinoceros, Sumatran rhinoceros, Sumatran tiger and Sumatran orangutan. According to current estimates, only 6,660 Sumatran orangutans and 54,000 Bornean orangutans remain in the wild (Wich et al., 2011), and probably no more than 400 to 500 tigers remain in Sumatran forests (Nelleman et al., 2007), while the Sumatran rhino has declined to only 300 animals (Glastra et al., 2002).

Indonesian biodiversity loss is closely linked with habitat loss and associated with rapid expansion of oil palm plantations (Fitzherbert et al., 2008; Pye, 2009). Many oil palm plantations were established by converting forested areas, rather than using existing deforested areas or abandoned land (Nelleman et al., 2007), consequently destroying habitat for numerous species. Koh and Wilcove

(2008) suggest that during the period of 1990-2005, 56 per cent of oil palm expansion in Indonesia occurred at the expense of forested areas. Furthermore, Koh and Wilcove (2008) used data on forest birds and butterflies in primary forests, secondary forests, pre-existing cropland and oil palm plantations in Peninsular Malaysia and Borneo to show that conversion of primary and secondary forest to oil palm plantations has adverse effects on biodiversity. These authors found that conversion of primary forests to oil palm plantations reduces bird and butterfly species by 77 and 83 per cent, respectively. In another study, Fitzherbert et al. (2008) found that oil palm plantations in Southeast Asia had far fewer vertebrate species than primary and secondary forests. Further, case studies conducted in Malaysia and Indonesia indicate that between 80 to 100 per cent of rainforest wildlife species do not survive in oil palm monocultures (Wakker, 2000).

The Worldwide Fund for Nature Indonesia (2008) found that habitat destruction in Sumatra due to oil palm expansion resulted in increased conflicts between people and mammals, such as elephants and tigers. Human-wildlife conflict for these particular species is due to habitat loss as elephants feed on oil palm trees and Sumatran tigers hunt pigs near oil palm plantations. Such conflict takes place when these animals encounter humans, frequently leading to casualties for both. WWF found evidence that more than 200 elephants were killed during or after such conflict between 2000 and 2006. Orangutans have suffered oil palm plantation habitat loss also. These animals are often shot or killed when entering plantations to feed on fruit trees, while surviving infants are sold in illegal wild animal trade (Wich et al., 2011).

Some oil palm plantations have been established within or surrounding conservation areas or national parks, exacerbating the problem of human-wildlife conflict. For example, several oil palm plantations have been created on peatland in Tanjung Puting National Park, Central Kalimantan and other surrounding areas (Nantha & Tisdell, 2009). In the Ketapang regency, West Kalimantan, eight companies were granted permission to develop oil palm plantations around Gunung Palung National Park (Wich et al., 2011). Also, Forest Watch Indonesia/Global Forest Watch (2002) documented oil palm development in and around Gunung Leuser National Park, located in Aceh and North Sumatra provinces.

Despite research showing the negative impact of oil palm expansion on biodiversity and natural habitats, the industry insists that oil palm plantation can be economically and environmentally beneficial. Compared to other oil seed crops, oil palm is considered the most efficient and productive oil-producing crop. Oil palm produces seven times the oil yield per hectare compared to soybean, five times higher than sunflower and 2.5 times higher than rapeseed. It requires less land compared to other vegetable oils at only 0.3 ha to produce one ton of oil, while soybean, sunflower and

rapeseed require 2.17 ha, 1.52 ha and 0.75 ha, respectively, to produce the same amount of oil (Hai, 2004). Thus, the industry argues that oil palm production leads to less forest destruction and greater biodiversity protection. PASPI (2014) argue that standing oil palm plantations provide a living space for a variety of flora and fauna and have built-in biodiversity preservation, including preservation of germplasm.

### 2.2.3 Displacement/dispossession of indigenous and forest-dependent communities

The Indonesian archipelago is well known for its large numbers of indigenous and forest-dependent communities. The region is home to around 500 different ethnic groups, each with their own ways of relating to the forest (Anderson 2013). The total number of these peoples is significant (Fisher, Srimongkontip & Veer, 1997). Wollenberg, Belcher, Sheil, Dewi and Moeliono (2004) noted that around 48.8 million people live on state forest land and an additional 20 million people live in villages adjacent to or near forests. While some government documents suggest a total population of only one to two million indigenous people still living in Indonesia, the Alliance of Indigenous Peoples of the Archipelago (*Aliansi Masyarakat Adat Nusantara/AMAN*) claims that the number of indigenous peoples in Indonesia is between 50 and 70 million (Anderson, 2013).

Most indigenous communities are poor and rely on the forest to meet daily subsistence needs by hunting and gathering forest products (Li, 2001). Many still practice shifting cultivation which requires extensive fallow areas for forest regeneration in order to maintain their livelihoods and traditional ways of life (Lucas & Warren, 2013). Along with other local and rural communities in Indonesia, these people are small farmers practicing mixed agro-forestry and annual cropping, thus are directly dependent on forest resources for economic well-being. Moreover, they also make important contributions to conservation and sustainable management of the forest system, sustainable development and cultural identity (Moniaga, 1998).

Since the height of the New Order regime in the 1970s and '80s, the Indonesian government has positioned forestry and plantation agriculture as a major driver of economic development. To meet increasing global demand for vegetable oils, international and national investors have aggressively sought land for expansion of oil palm cultivation. Much of this expansion has occurred at the expense of indigenous peoples living in and using forests and forest lands (Colchester, 2011). Although the Indonesian constitution recognises indigenous community rights over their lands, livelihoods, customary law and self-government systems, in practice these rights are routinely ignored or suppressed by government and industry. Thus, permits for establishing new oil palm plantations have been granted with minimal consideration of indigenous community rights (Anderson, 2013).

Despite Indonesian government and Roundtable on Sustainable Palm Oil (RSPO) commitment to Free, prior and informed consent (FPIC), land acquisition and plantation establishment often takes place without knowledge or consent of local communities. Even where community leaders give consent, they often lack adequate information regarding the consequence of doing so (Anderson, 2013). As a result, forest conversion to oil palm plantations has evoked numerous social problems and conflicts. Conflicts occur when the plantation or concession area overlaps with community land, hence limiting community access to forest benefit streams (Indrarto et al., 2012). In other cases, indigenous people are ousted from their lands without appropriate compensation, along with other legal abuses and violations of human rights (Colchester et al., 2006; Jiwan, 2013; Rist et al., 2010).

Other sources of conflicts following plantation development include lack of clarity regarding contracts signed with companies, weak local governance, failure of companies to meet contractual or perceived obligations, lack of clarity over land tenure prior to plantation development and changing land values (Rist et al., 2010). In addition, indigenous people find it difficult to maintain ancestral cultures after they lose forest resources important to customary ceremonies (Syarif, 2010). In numerous cases, large-scale land dispossession has involved an alliance between national and local politicians with multinational and Indonesian corporations, for example the massive Merauke Integrated Food and Energy Estate (MIFEE) (Ito, Rachman & Savitri, 2014). Sheil et al. (2009), for example, documented that in 2008 there were more than 500 oil palm-related conflicts between plantation companies and local communities across Indonesia, with the highest number occurring in the provinces of South Sumatra (136 cases), West Kalimantan (94 cases), Jambi (60 cases) and Southeast Sulawesi (43 cases) (see Figure 2-5).

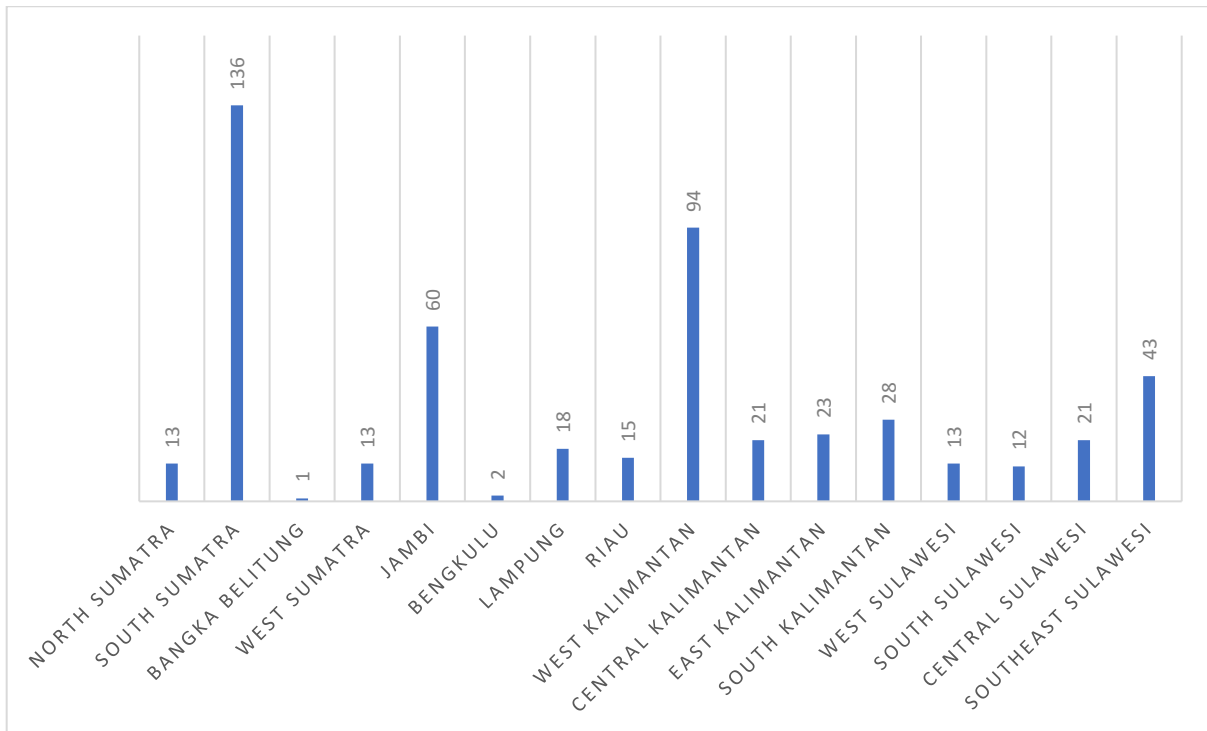


Figure 2-5 Oil palm related conflicts in Indonesia, 2008

Source: Sheil et al. (2009, p. 38)

Palm oil is an important industry and plays a major role in Indonesia's current economy. However, negative consequences have resulted from development of this industry. Rapid industry expansion over recent decades has led to numerous problems and controversies, from environmental degradation to social conflicts. What occurs in the palm oil industry today cannot be separated from the history of the plant's existence and its development in the region. Further explanation of historical development of the palm oil industry in Indonesia is presented in the next section.

## 2.3 Origin and genesis of palm oil in Indonesia

### 2.3.1 Netherlands East Indies period

Early history of oil palm in Southeast Asia is documented in a report of the Director of *Buitenzorg* garden<sup>5</sup> in Java, Johannes Elias Teijsmann, dated 23 March 1850 (Hartley, 1967). In 1848, four *Elaeis guineensis* seedlings were received by *Buitenzorg* garden, two from *Hortus Botanicus* in Amsterdam, and two from Mauritius. While the plant's oil producing potential was generating great interest on the Guinea coast, in *Buitenzorg* garden the first specimens were initially considered only for their novelty or decorative interest (Corley & Tinker, 2016; van Gelder, 2004). However, potential for economic exploitation led to establishment of experimental plots sometime before 1860 in Banyumas (East Java) and Palembang (South Sumatra) (Hartley, 1967). In 1876, according to Hartley

<sup>5</sup> Now Bogor Botanical Gardens (*Kebun Raya Bogor*).

(1967), Sir Joseph Dalton Hooker, a British botanist and explorer, attempted to cultivate 700 oil palm trees in Labuan Deli (North Sumatra), but ten years later he removed the trees and replaced them with coconuts, due either to processing problems or unsuitable planting material.

In 1870, the Dutch colonial administration enacted the Agrarian Law (*Agrarische Wet*), in response to pressure from private interests in Netherlands, which enabled private companies to rent land from the colonial government or directly from Indonesian communities (Wie, 1977). Enactment of the Agrarian Law was intended to end the state monopoly in the agricultural sector (Stoler, 1985) and begin a liberal period in the history of Indonesia's economy (Wie 1977). According to Wie (1977), introduction of liberal policies resulted in an influx of foreign investment and the rise of private companies in East Sumatra's plantation zone. In subsequent years, a once unfriendly jungle without economic significance had developed into one of the world's premier estate sites known as the *Cultuurgebied van de Oostkust van Sumatra* (Plantation Region of the East coast of Sumatra) (Booth, O'Malley & Weidemann, 1990; Wie, 1977).

Demand for vegetable oils, in particular palm oil, increased sharply due to the British Industrial Revolution, as vegetable oil was used for candle making and as a machinery lubricant (Kiple & Ornelas 2000). This demand gave rise to establishment of large scale oil palm plantations. Sixty years after oil palm was first introduced to Indonesia, in 1909, M. Adrien Hallet, a Belgian entrepreneur with some experience and understanding of oil palm in Africa, established the first private palm oil company on the East Coast of Sumatra – SOCFIN S.A (*Societe Financiere des Caoutchoucs Medan Societe Anonyme*). A year later he planted palms of Deli origin in Sei Liput (Aceh) and Pulu Radja (Asahan, North Sumatra), purportedly the first large commercial oil palm plantations in Sumatra. The Sei Liput plantation, completed in 1914, was 2,620 ha in size (Budidarsono, Susanti & Zoomers, 2013), and is currently part of PT SOCFINDO plantations (Bangun, 2010). This first plantation effort was followed by a German, K. Schadt, who established a 2,000 tree plantation in Tanah Itam Ulu (North Sumatra) (Bangun, 2010; Hartley, 1967). In subsequent years, several more oil palm plantations were established in Northern Sumatra (Bangun, 2010).

In the early 1920s, the oil palm industry on the eastern coast of Sumatra developed rapidly, following the First World War in 1914-1918. According to Bangun (2010), in 1918 there were 16 palm oil companies operating in North Sumatra and three companies in Java. Two years later, this number had grown to include 25 companies in East Sumatra, eight companies in Aceh and one in South Sumatra. In terms of cultivated area, there were 29,402 ha of oil palm plantations in 1925, and thirteen years later the area under cultivation had trebled to 92,307 ha (see Table 2-2) (Wie, 1977). Palm oil production grew proportionately from 181 tons in 1919 to 190,627 tons of crude palm oil in

1937 (Budidarsono et al., 2013), more oil than the entire African palm oil industry produced at that time (Corley & Tinker, 2016). As a result, in 1938 Indonesia overtook Nigeria to become the largest palm oil exporter in the world. At that time, global production amounted to slightly more than 200,000 tons per year (Hartley, 1967). By 1940, Indonesia's oil palm plantation area had reached 110,000 ha, operated by 66 oil palm plantation companies (Bangun, 2010), but growth slowed considerably in the period following World War II (Corley & Tinker, 2016). At that time, the Asian palm oil industry was eclipsed by production from Africa (Hartley, 1967).

During the colonial era the Indonesian palm oil industry was developed, and dominated, by foreign private companies. This situation changed following Indonesia's independence.

Table 2-2 Acreage of Indonesian oil palm plantations, 1919-1938

Year	Planted area (hectares)
1919	5,123
1920	8,462
1925	29,402
1930	61,229
1935	74,919
1938	92,307

Source: Wie (1977, p. 30)

### 2.3.2 Post-independence period

After the WWII ended and Indonesia declared independence in 1945, oil palm plantations were handed back to the original owners (Bangun, 2010). However, following WWII many plantations were very degraded. As Bangun (2010) noted, of 66 plantations in Indonesia only 47 were productive, while several other plantations had been completely destroyed during the war. In addition, difficult political and economic conditions during the early years of independence did not favour replanting or the maintenance of mills (Hartley, 1967). Between 1942 and 1949, Indonesia's economy was devastated (Lindblad, 2010). The situation worsened for the industry when President Sukarno introduced isolationist economic policies and rejected foreign investment or loans (van Gelder, 2004). However, exiting estates remained important as a source of foreign exchange for the young country (Mackie, 1961).

In 1957, the Government of Indonesia launched a nationalisation program where all Dutch estates and manufacturing and service enterprises were expropriated and placed under state control through three supervisory boards: the New State Plantation Company (*Perusahaan Perkebunan Negara Baru*/PPN Baru) for the agriculture sector, the Coordinating Agency for Industrial and Mining Enterprise (*Badan Pengelola Perusahaan Industri dan Tambang*/BAPPIT) for the industry and mining sectors, and the Agency of Trade Affairs (*Badan Usaha Dagang*/BUD) for the trade sector (Robison,



2009). As a result, 542 Dutch plantations, or around three quarters of total plantations in Indonesia, fell under management of PPN Baru (Mackie, 1961). It was not without reason that the government decided to put oil palm plantations under state corporations rather than domestic private enterprises. According to Robison (2009), the government considered indigenous entrepreneurs too weak to assume control this important segment of the colonial economy. In fact, during the 1950s indigenous enterprises drew on state credit and concessions, without providing serious evidence that they were able to contribute to the national industrial economy.

During the nationalisation process, Army officers were brought into all levels of estate administration (Stoler, 1985), marking the beginning of Indonesian military involvement in the plantation sector. As Mubyarto et al. (1992) documented, 75 per cent of all Dutch plantation enterprises that were nationalised were under military control. The reason, as Robison (2009) argued, was twofold: on one hand to forestall control by labour unions and on the other to secure new national nodes of economic power. However, these new state enterprises were considered unsuccessful. Palm oil crop export values declined considerably, from US\$442.5 million in 1958 to US\$330 million in 1966 (Robison, 2009). The reasons, as Robison (2009) further explained, were lack of investment in planting and processing, and general poor management. Moreover, political instability reduced the government's capacity to further develop the sector.

The early years of Indonesia's independence under the Sukarno administration was a bleak time for Indonesia's palm oil industry – and most other industries as well – as infrastructure crumbled and production declined. Palm oil exports amounted to only 109,000 tons in 1960 (Budidarsono et al., 2013) compared to 220,000 tons in 1938 (Wie, 1977). Malaysia, in the meantime, overtook Indonesia as the world's largest producer and exporter of palm oil (Hartley, 1967). Just before President Sukarno was toppled, the total oil palm plantation area in Indonesia declined to only 106,000 ha, down from 110,000 ha in 1940. Nonetheless, this period marked the first government involvement in the plantation sector through establishment of state-owned plantations, which would go on to play a significant role in the New Order period.

### 2.3.3 The New Order

The rise of General Suharto and his New Order regime following the failed Indonesian Communist Party (*Partai Komunis Indonesia*/PKI) coup in 1965 dramatically changed the political and economic situation in Indonesia. Immediately after gaining control, the new military-backed government initiated a national reconstruction plan to deal with crippling foreign debt and an 85 per cent inflation rate (Dauvergne, 1993). This included reconstruction of plantation agriculture as a major

sector to support export-led economic development (Budidarsono et al., 2013), including development of the oil palm sector (Nagata & Arai, 2013).

An initial step the Suharto administration was to swiftly restore old connections with foreign investors and funding agencies, while also establishing new ones (Stoler, 1985).<sup>6</sup> To encourage an influx of foreign exchange into the country, the government introduced Law No. 1/1967 on Foreign Investment. Together with Law No. 5/1967 The Basic Forestry Law (BFL), this signalled dramatic liberalisation of the Indonesian forestry sector, encouraging investors to take part in the sector and intensifying extraction of forest resources by private companies (Hapsari, 2011). To facilitate this, under Law No. 21/1970 the government introduced Forest Concession Rights (*Hak Pengusahaan Hutan/HPH*) to be granted to state-owned corporations and large-scale investors. Most of these concessions went to businessmen with close ties to President Suharto (Barr 2006; Indrarto et al., 2012). To mobilise the plantation sector, the government established several new state-owned companies called *Perusahaan Negara Perkebunan* (PNP), which changed status to Limited Estate Companies (*Perseroan Terbatas Perkebunan/PTP*) in the early 1970s. Using funds from international agencies, the government injected large amounts of capital into the new PTPs (Corley & Tinker, 2016). As a result, the state-owned oil palm plantation area more than doubled from 65,573 ha in 1967 to 176,408 ha in 1979 (van Gelder, 2004) (Figure 2-6).

During the New Order period, Indonesia became the world's largest exporter of logs and timber-based products (Barr, 2006) and oil palm expansion was inextricably linked with the logging industry (Shibao, 2015a). Indonesia's palm oil industry came to be dominated by the same conglomerates who owned logging, wood processing and pulp and paper industries (Forest Watch Indonesia/Global Forest Watch, 2002). Thus, Indonesian forest industries were concentrated in the hands of small number of big firms that had close connection with the government. The combination of logging and oil palm cultivation became a highly lucrative business model as companies gained revenue from timber harvested and converted the land into oil palm plantations (Shibao, 2015a).

It was not until 1986 that private palm oil plantations gained momentum and experienced rapid growth. To encourage private sector involvement in the palm oil industry, during the decade between 1986 and 1996, the Indonesian government facilitated access to credit at concessionary rates for plantation development, new crop planting and crushing facilities. The government allocated vast areas for oil palm development to foreign estate companies in Sumatra, Kalimantan, Sulawesi and Irian Jaya, which attracted investors from Malaysia, Singapore, Hong Kong, England,

---

<sup>6</sup> Indonesia disengaged from the World Bank and other international agencies in August 1965. In 1967, the Suharto administration revived the membership and in the following year joined the International Development Agency (Thompson & Manning, 1974, as cited in Stoler, 1985).

Belgium, South Korea and the British Virgin Islands. Local companies were getting in on the action as well. In 1997, there were eight conglomerates dominating the Indonesian palm oil sector, controlling almost 2 million ha of land of which 821,000 was already under cultivation (Casson, 1999). Many of these companies, of course, were also big names in the timber industry (Hidayat, 2008). By 1997, private oil palm plantation companies were cultivating more than 1.2 million ha of oil palm, producing around 2.3 million tons of crude palm oil (CPO) (Casson, 1999).

A key policy promoted during this era was a scheme called Nucleus Estate and Smallholders (*Perkebunan Inti Rakyat*/PIR, henceforth NES) in 1977. The NES scheme was based on partnership between plantation companies and smallholders. The purpose of the scheme was to support smallholders in developing new plantation areas that adjoined large-scale plantations. State-owned plantation companies and private developers – known as the *Inti* or nucleus – provided surrounding smallholders (plasma farmers) with a set of services, including high-yielding variety planting material, other agricultural inputs and credit (Rogers, 2015). These plasma farmers then provided fruits to the estate's processing facilities (Budidarsono et al., 2013; van Gelder, 2004). Fresh fruit bunches (FFB) produced by smallholders were purchased by plantation companies at fair market price (Casson, 1999). In theory, the smallholders were independent entrepreneurs. Under the scheme, they were allocated three ha of land, two ha for tree crop plantation and the remainder for food crops and home gardens (Rogers, 2015). The relationship between smallholders and plantation companies was designed so production occurred like it would in a single, unified economic unit, where both parties need each other and are inter-dependent (Department of Agriculture, 1992, as cited in Rogers, 2015).

The first generation of the NES scheme was undertaken solely with state-owned plantation companies (PTP). The reason for this was that the government perceived private plantations were not strong enough to shoulder the responsibility. Involvement of private plantations in the NES scheme began in the mid-1980s, following introduction of a new Presidential Decree in 1986. This Decree made it mandatory for private plantations to incorporate the nucleus estate system when developing new plantations (Rogers, 2015). Three private large-scale plantations, PT Astra Agro Lestari, PT Sinar Mas Agro Resources and Technology Tbk (PT SMART) and PT Asian Agri, became pioneers in the implementation of the NES scheme in 1987 (Badrun, 2010).

The NES scheme was linked with another major government program, transmigration. The purpose of Indonesia's transmigration program was to redistribute land-poor farmers from densely populated Java and Bali to land-rich and sparsely populated outer regions of the country (Budidarsono et al., 2013). Transmigration had been around since the colonial era, and became a major – and highly

controversial – program of the Indonesian government with major World Bank support during the 1970s. It experienced another revival in the mid-1980s with the NES-TRANS program that combined transmigration with nucleus estate palm plantation. The program also involved large private sector plantation companies (Rogers, 2015).

In 1995, the government introduced a third generation of NES called Primary Cooperative Credit for Members (*Koperasi Kredit Primer untuk Anggota/KKPA*). Under this scheme, plantation companies, smallholder cooperatives (*koperasi*) and banks signed a contract, in which the smallholders (cooperative members) entrusted their land to the plantation company. The cooperative acted as a liaison between smallholders and the company and managed financial matters on behalf of smallholders, such as credit payment and income from FFB sales (Potter, 2015). Companies were responsible for planting, managing and harvesting crops, while landowners received a percentage of harvest revenue after deduction of plantation establishment and management costs. Meanwhile, the bank kept land titles as collateral, and repayments from smallholders were collected by the company (Pacheco, 2012; Rogers, 2015). In effect, smallholders became labourers on land they owned.

NES and KKPA schemes stimulated development of smallholder oil palm holdings, especially in transmigration areas, which increased significantly from zero in 1978 to more than 800,000 ha by 1997 with CPO production of 1.3 million tons (Ministry of Agriculture, 1998, as cited in Casson, 1999) (Figure 2-6).

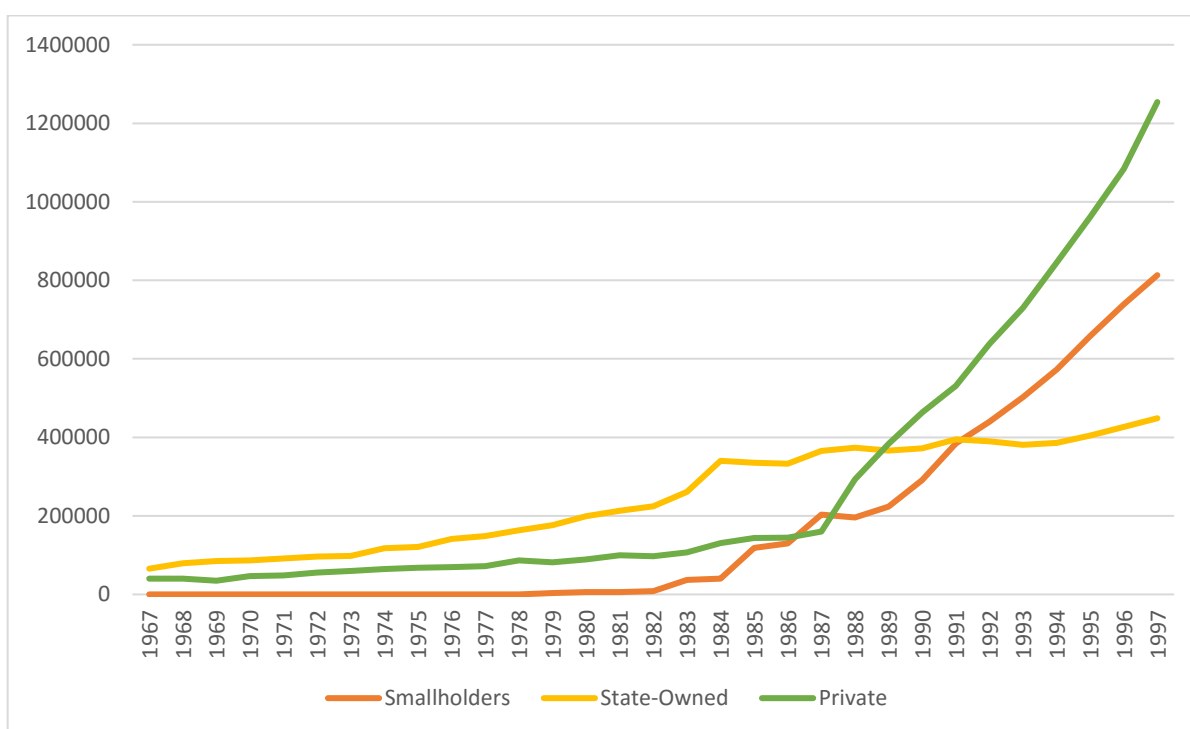


Figure 2-6 Increase of Indonesia's oil palm plantations by owner type, 1967-1997

Source: Ministry of Agriculture (1998), as cited in Casson (1999, p. 64).

In summary, the New Order era was a period of revival for Indonesia's palm oil industry. In a span of 30 years, cultivated area rose significantly from 105,000 thousand ha in 1967 to 2.5 million ha in 1997, while CPO production increased 3,100 per cent from 168,000 tons to 5.4 million tons in the same period. A hallmark characteristic of this period of rapid growth in the sector was that large concessions were afforded to close associates and family members of Suharto, mostly large conglomerates that had been involved in the forestry industry (Jiwan, 2013). In addition, massive forest exploitation during the Suharto era inevitably resulted in extensive environmental degradation, a legacy passed on to the next generation.

#### 2.3.4 Reformasi era

The 1997-1998 economic crises that hit most of East and Southeast Asia marked a dramatic change in the economic and political landscape in Indonesia. In the palm oil sector, many Indonesian palm oil companies faced serious financial problems as companies did not have adequate funds to invest in existing plantations nor to open new plantation areas. Problems included devaluation of the rupiah that began in 1997, low global CPO and palm kernel oil (PKO) prices after about 2000, an Indonesian government ban on export of CPO for four months at the beginning of 1998 to guarantee domestic supplies, widespread social unrest and reluctance of foreign capital to invest in Indonesia (van Gelder, 2004).

Indonesia's declining economy forced the Indonesian government to seek assistance from the International Monetary Fund (IMF). Four months before he stepped down in January 1998, President Suharto signed the IMF Letter of Intent (LoI), witnessed by IMF Managing Director Michel Camdessus. The LoI pushed the Indonesian government to liberalise many sectors, including oil palm (Jiwan, 2013; Pye, 2013). As Siscawati (1998, p. 55) noted, "Point 39 requires Indonesia to remove all formal and informal barriers to investment in oil palm plantations". In other words, foreign investors were allowed to enter the market and compete freely (Indrarto et al., 2012). This led to substantial new investment from international companies, particularly Malaysian, Singaporean and US corporations (Jiwan, 2013), reversing the withdrawal and withholding of foreign investment that took place at the beginning of the crises. There were 45 Malaysian investors in 1998 that, together with their Indonesian counterparts, controlled more than 1.3 million ha of oil palm in Indonesia, or nearly half of the total oil palm plantation area at that time. This included well-known Malaysian companies such as Golden Hope Plantations Bhd and Sime Darby Bhd (Casson, 1999). Jiwan (2013, p. 52) explained, "the palm oil industry is continuously transforming and expanding, and new actors are joining the business and old players are merging to create larger corporations". By the end of 1998, 50 foreign companies were involved in Indonesia's palm oil sector, with total investment of US\$3 billion (Kartodihardjo & Supriono, 2000).

To rejuvenate the palm oil industry in the wake of the 1997 economic downturn, and at the same time encourage development of community plantations (*perkebunan rakyat*), the government introduced new policies to promote various partnership models (Budidarsono et al., 2013). Basically, these models aimed to provide more opportunities to smallholders and at the same time prevent the emergence of monopolies by requiring companies to include cooperatives in the plantation business (Casson, 2000). Presently, there are five partnership schemes that Right to Exploit (*Hak Guna Usaha/HGU*) applicants can choose from according to 1999 Plantation Use Permit Regulations:

1. Management operator. Under this scheme, a plantation company is given a mandate to run the cooperative plantations on a fee basis.
2. 35:65 equity ownership. Cooperatives buy a 35 per cent stake of the plantation owner's equity or inject money. Under this scheme, the government acts as a creditor using the social safety net fund.
3. 20:80 equity ownership. Cooperatives provide land instead of injecting money into plantation companies. As compensation, cooperatives can own a 20 per cent stake in a plantation. Cooperatives can increase their stake by one per cent per year up to 51 per cent.
4. Build, operate and transfer (BOT). The plantation company entirely runs the plantation owned by the cooperative from the beginning of the tree planting stage. After 15 years, cooperatives take over the operation. During this period, all expenses and income details are recorded by the company.
5. Mortgage system. Under this scheme, cooperatives are allowed to borrow money from banks to fund acquisition of a plantation from the company.

As a result, smallholder plantations have increased substantially, from 813,000 ha in 1997 to 4.55 million ha in 2014 (Ministry of Agriculture, 2015) (Figure 2-7).

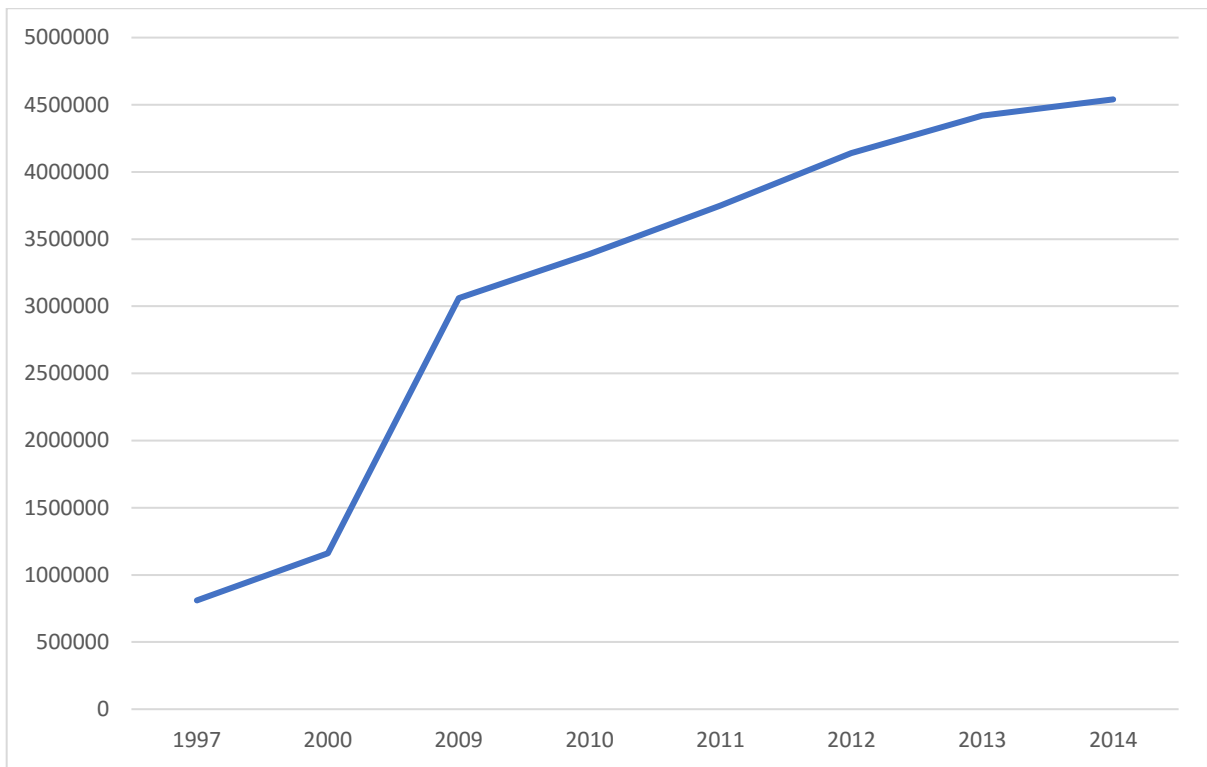


Figure 2-7 Smallholder plantation development (hectares), 1997-2014

Source: Ministry of Agriculture (2015)

Another fundamental change during this period that had significant impact on palm oil industry development was the shift of power from central government to provincial and district/municipal governments (decentralisation). The central government introduced regulations that authorised district and municipal governments to oversee some forestry affairs (Dermawan, Komarudin & McGrath, 2006), including resource use planning, spatial planning as well as managing revenues and budgets (Thorburn, 2004). As a result, according to Nagata and Arai (2013), local government influence on the dynamics and structure of the oil palm plantation sector was strengthened mainly via authority to issue permits and implement policy, as well as direct involvement as operational agents. Although a key objective of decentralisation was increased local political participation and allowing decisions to be made at the local level by those who have better knowledge of local needs and situations, it appears that the primary dynamic that emerged during the decentralisation process was the desire to gain economic benefits from lucrative forest management contracts by local and regional elites (Indrarto et al., 2012). In a particularly egregious example, the District Head (*Bupati*) in one Kalimantan district issued oil palm concession permits on millions of hectares of forest which actually fell under Ministry of Forest jurisdiction. The release of these forests for new oil palm plantation development requires Ministry review and explicit approval, yet the *Bupati* disregarded that requirement and allowed companies to proceed with land clearing (Wakker, 2013).

The Indonesian economy took some time to recover from the Asian financial crisis. By the first half of 2003, the palm oil sector in Indonesia began to revive. Global CPO and PKO prices had recovered, and the rupiah appreciated against the US dollar and most palm oil companies began turning a profit. Most importantly, palm oil companies succeeded in restructuring their debts, being either written off or rescheduled (van Gelder, 2004). Oil palm plantation growth began to accelerate again. During the decade 2000-2010, Indonesia saw establishment of more than 4 million ha of new plantation area. This is the same amount of plantation development as in the previous 90 years (PASPI, 2014) (see Figure 2-8). In 2006, Indonesia once again became the world's largest palm oil producer, producing 16.6 million tons of CPO, surpassing Malaysia's 15.29 million tons (GAPKI, 2014). By 2015, the area of Indonesia's oil palm plantations reached more than 11 million ha, with related CPO production of more than 31 million tons. The development, undoubtedly, was driven by the huge influx of foreign investment in the sector.

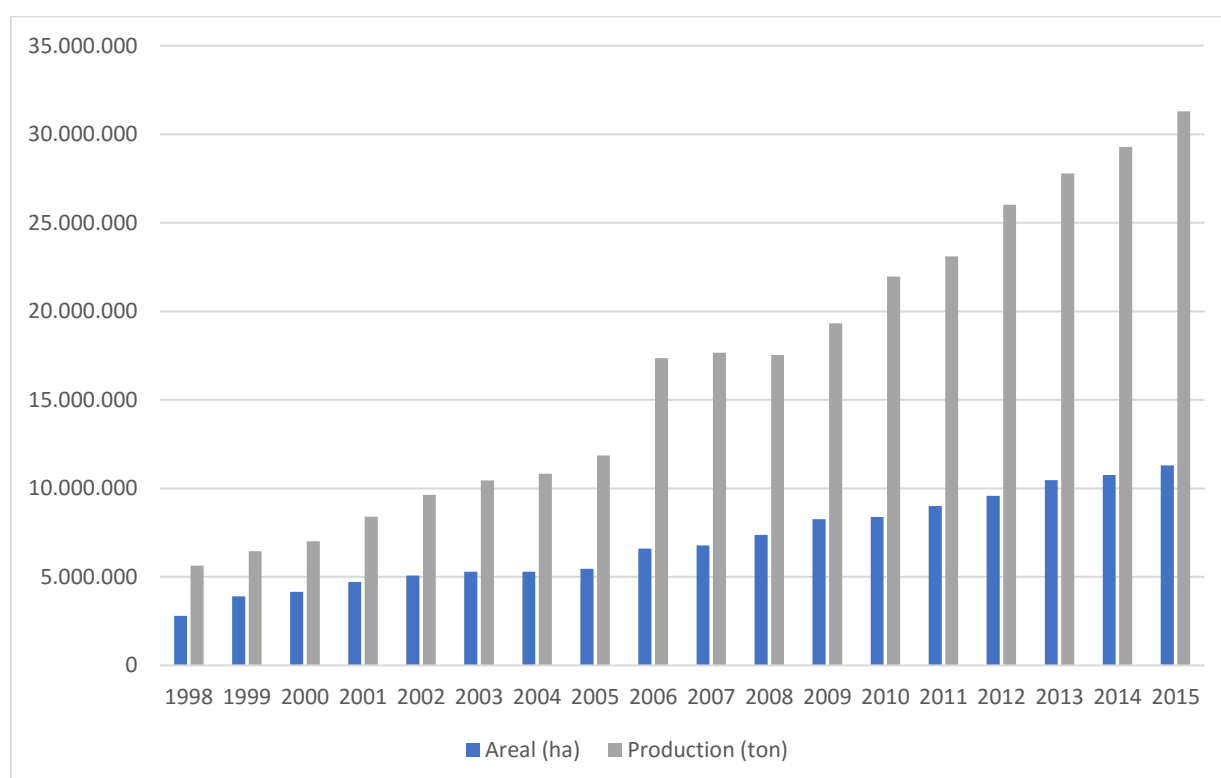


Figure 2-8 Development of Indonesia's palm industry, 1998-2015

Source: Ministry of Agriculture (2015)

## 2.4 'The party line'

Indonesia and Malaysia are currently the two largest producers of palm oil in the world. With a combined total of production of around 57 million tons (Indonesia Investment, 2017), the two countries account for almost 85 per cent of total global production, with the remaining 14 per cent shared among smaller producers such as Thailand, Colombia and Nigeria (Roundtable on Sustainable



Palm Oil, n.d.). Palm oil has become Indonesia's most important export commodity and one of the main pillars of the country's national economic strategy.

The importance of palm oil to Indonesia's economy is evident in the continuous increase in export values (see Table 2-3). Palm oil is by far the largest agricultural and forestry export, and in recent years palm oil's share of total exports has grown even larger than crude oil, oil product and gas, which were traditionally the main revenue source for Indonesia.

Table 2-3 Indonesia trade balance (million US\$), 2010-2014

Commodities	2010	2011	2012	2013	2014	Share to total export in 2014 (per cent)
<b>Agricultural and forestry products</b>						
CPO and derivatives	15,196.66	19,375.12	19,112.65	17,140.57	19,005.11	10.78
Rubber	9,284.70	14,200.64	10,166.38	9,167.46	6,925.44	3.93
Paper	4,186.21	4,169.28	3,936.96	3,756.25	3,743.28	2.12
Plywood	1,638.70	1,953.47	2,011.52	2,176.21	2,372.47	1.35
Crustacean	939.85	1,161.66	1,206.54	1,481.28	1,815.23	1.03
Pulp	1,468.87	1,557.70	1,546.96	1,845.81	1,721.46	0.98
Furniture	1,205.66	903.98	1,111.23	1,197.41	1,269.91	0.72
Cacao	1,643.65	1,345.28	1,053.45	1,151.48	1,244.53	0.71
Processed wood	968.80	1,028.58	1,007.59	993.57	1,137.43	0.65
Coffee	814.31	1,036.67	1,249.52	1,174.04	1,039.61	0.59
Coconut	662.32	1,180.67	1,144.53	1,009.41	1,035.17	0.59
Tobacco	648.26	687.99	748.96	877.42	977.90	0.55
Others	5,100.85	6,291.60	6,938.91	6,987.11	7,629.70	4.33
<b>Total</b>	<b>43,758.84</b>	<b>54,892.64</b>	<b>51,235.20</b>	<b>48,958.02</b>	<b>49,917.24</b>	<b>28.31</b>
<b>Total Non-Oil</b>	<b>129,739.50</b>	<b>162,019.60</b>	<b>153,054.60</b>	<b>149,918.80</b>	<b>145,960.80</b>	<b>82.79</b>
<b>Oil and Gas</b>						
Crude oil	10,402.90	13,828.70	12,293.40	10,204.70	9,528.20	5.40
Oil Product	3,967.30	4,776.80	4,163.40	4,299.10	3,623.40	2.06
Gas	13,669.40	22,871.50	20,520.50	18,129.20	17,180.30	9.75
<b>Total Oil and Gas</b>	<b>28,039.60</b>	<b>41,477.00</b>	<b>36,977.30</b>	<b>32,633.00</b>	<b>30,331.90</b>	<b>17.21</b>
<b>Total Export</b>	<b>157,779.10</b>	<b>203,496.60</b>	<b>190,031.90</b>	<b>182,551.80</b>	<b>176,292.70</b>	<b>100.00</b>

Source: <https://www.bps.go.id/>

As income from oil and gas products is expected to decline over coming years, the role of palm oil as the main revenue source for Indonesia becomes increasingly crucial. Under these circumstances, coupled with growing global demand, it is not surprising that Indonesia plans to quintuple current palm oil production to 153 million tons within the next 35 years. In order to achieve this target, an additional 20 million ha of land will need to be converted to oil palm plantations, as well as improving

productivity from the current 3.92 tons/ha/year to 5.4 tons/ha/year (Dewan Minyak Sawit Indonesia, 2011).

Aside from its important role as a revenue source, the Indonesian Government has positioned palm oil as a leading sector in rural development and poverty alleviation. These notions have their roots in the New Order era beginning with implementation of the NES scheme. Nearly 96 per cent of oil palm plantations and CPO mills are located in rural areas on the islands of Sumatra, Kalimantan, Sulawesi, Papua and Java, distributed across 23 provinces, the largest being Riau, North Sumatra, Central Kalimantan, West Kalimantan, South Sumatra, East Kalimantan and Jambi. The government considered that establishing oil palm plantations in these areas would be beneficial to rural communities by stimulating the local economy.

A recent study by PASPI (2014) shows that establishment of oil palm plantations benefited rural areas in two main ways. First, oil palm plantations promote new rural growth centres. In this context, new oil palm plantations stimulate infrastructure development (e.g. new roads, health and educational facilities) and influence growth of other sectors, including construction, transportation, communication and other services. Second, establishment of oil palm plantations stimulates local economic growth. In this regard, CPO production makes a positive contribution to Regional Gross Domestic Product (RGDP) in oil palm growing districts (Indonesia Palm Oil Customer Care, 2014). These findings are confirmed by World Growth (2011) which stated that oil palm plantations have become a significant component of economic activity in regional economies. Budidarsono et. al (2013) further highlight the positive financial and socio-economic consequences of oil palm plantations to surrounding regions, although noting that differential results may occur.<sup>7</sup>

Poverty has always been a major issue in Indonesia. Even though Indonesia reduced the poverty rate in recent years, the number of people living in poverty remains stubbornly high. The total number of poor people decreased from 42.3 million (28.55 per cent of the population) in 1980 to 28.55 million (11.47 per cent of the population) in 2013. Most people living in poverty (17.92 million in 2013) are in rural areas (PASPI, 2014). Thus, oil palm plantations can play a significant role in providing sources of income in rural areas of Indonesia (World Growth, 2011). PASPI (2014) shows that oil palm plantations can improve income of rural farmers engaged in oil palm production, with a multiplier effect spreading across the rural population, as the income of oil palm farmers, both oil palm plasma farmers and independent oil palm farmers, is higher than non-oil palm farmers (see Table 2-4). Amzul (2011) found that 64 per cent of the income multiplier from palm oil flows directly to palm

---

<sup>7</sup> PASPI and World Growth figures may be biased in favour of oil palm.

plantations and the remaining 36 per cent flows to the broader community. In addition, Budidarsono et.al (2013, p. 1) found that:

“More than 18 per cent of those households had increased their income (in real terms) 2 to 3 times after 5 years engagement in oil palm cultivation. About 35 per cent had increased their income between 4 and 13 times after 5 to 10 years of engagement in oil palm cultivation. About 45 per cent who engaged in oil palm cultivation for more than 10 years had increased their income 22 to 25 times over”.

Table 2-4 Comparison of income per hectare of oil palm farming and other farming in North Sumatra, Riau, South Sumatra and Central Kalimantan (IDR million)

Description	2009	2010	2011	2012	2013
<b>North Sumatera</b>					
Plasma farmers	35.06	43.42	52.67	58.78	65.32
Independent farmers	82.50	88.00	93.50	108.37	99.00
Non-oil palm farmers	11.24	12.69	13.38	15.99	17.46
<b>Riau</b>					
Plasma farmers	40.13	57.03	60.27	85.28	82.34
Independent farmers	52.30	56.22	59.95	67.84	82.81
Non-oil palm farmers	24.85	25.00	25.76	32.37	40.96
<b>South Sumatra</b>					
Plasma farmers	95.60	135.00	191.87	297.55	293.85
Independent farmers	80.17	91.90	141.18	149.18	129.41
Non-oil palm farmers	8.63	8.87	8.68	7.78	8.46
<b>Central Kalimantan</b>					
Plasma farmers	24.30	28.25	28.13	33.17	32.45
Independent farmers	47.85	141.78	174.86	205.48	214.21
Non-oil palm farmers	29.01	29.67	31.56	38.60	48.56

Source: PASPI (2014, p. 84)

Another aspect that should not be overlooked is the contribution of oil palm plantations to job growth. Palm oil plantations are low mechanisation, labour intensive enterprises, absorbing as much as 30 times more employment per unit area than other forms of large scale agriculture (Indonesia Palm Oil Customer Care, 2014). PASPI's (2014) report shows that in terms of employment absorption, the number of workers in oil palm plantations has increased substantially, mainly due to expansion of plantations, along with production and development of upstream and downstream industries. The number of palm oil workers in 2000 was just over 2 million people, by 2013, this figure had increased to more than 5.5 million (see Table 2-5). Assuming each worker has four dependent members in the family, this means around 22 million people depend on oil palm plantations for their livelihoods. The Government's planned increase in palm oil production to 40 million tons, with 10 to 12 million ha of plantations, in 2020 could generate new jobs for 1.3 million households, providing economic benefits to at least another 5.2 million Indonesians (Indonesia Palm Oil Customer Care, 2014).

Table 2-5 Employment growth in Indonesian oil palm plantation, 2000-2013

Description	2000	2005	2010	2013
Worker in SME, oil palm plantation supplier of goods/service	15,548	194,177	372,861	396,623
Worker in oil palm plantation Labour	1,360,000	2,370,000	3,420,000	3,830,000
Company staff	717,916	73,261	1,199,552	1,286,347
<b>Total worker</b>	<b>2,093,464</b>	<b>2,637,438</b>	<b>4,992,413</b>	<b>5,512,970</b>

Source: PASPI (2014, p. 78).

## 2.5 Structure of Indonesia's palm oil industry

There are several distinct activities involved in the palm oil chain of supply (Figure 2-9). First, raw material (fresh fruit bunches/FFB) are picked on plantations and within 24 hours transported to mills in which the FFB are sterilised and processed to extract oils. The oils are then shipped to refineries where they are refined before being transported to manufacturing facilities to obtain the final products. Hundreds of products containing palm oil are distributed and sold to end users through retail outlets.



Figure 2-9 The palm oil supply chain

Source: <https://www.sustainablepalmoil.org/infographics/>

An integrated global palm oil production and supply chain has developed, supplying palm oil and its derivatives to a wide range of industries and customers (van Gelder, 2004). Like other natural resource-based industries, the palm oil supply chain can be separated into two main segments of value chain, namely upstream and downstream industries, which can be further divided into four segments: upstream, midstream, downstream processing and consumer products. As shown in Figure 2-10, each segment of the value chain has particular activities and produces specific goods.

Global demand has increased over time to the point where large quantities of palm oil are consumed all over the world and distributed to manufacturers as an ingredient for countless consumer products. As a result, unlike other commodities with a relatively uncomplicated value chain (see for example Taylor, 2005 for coffee and wood products), the palm oil industry involves a more complex value chain (see van Gelder, 2004).

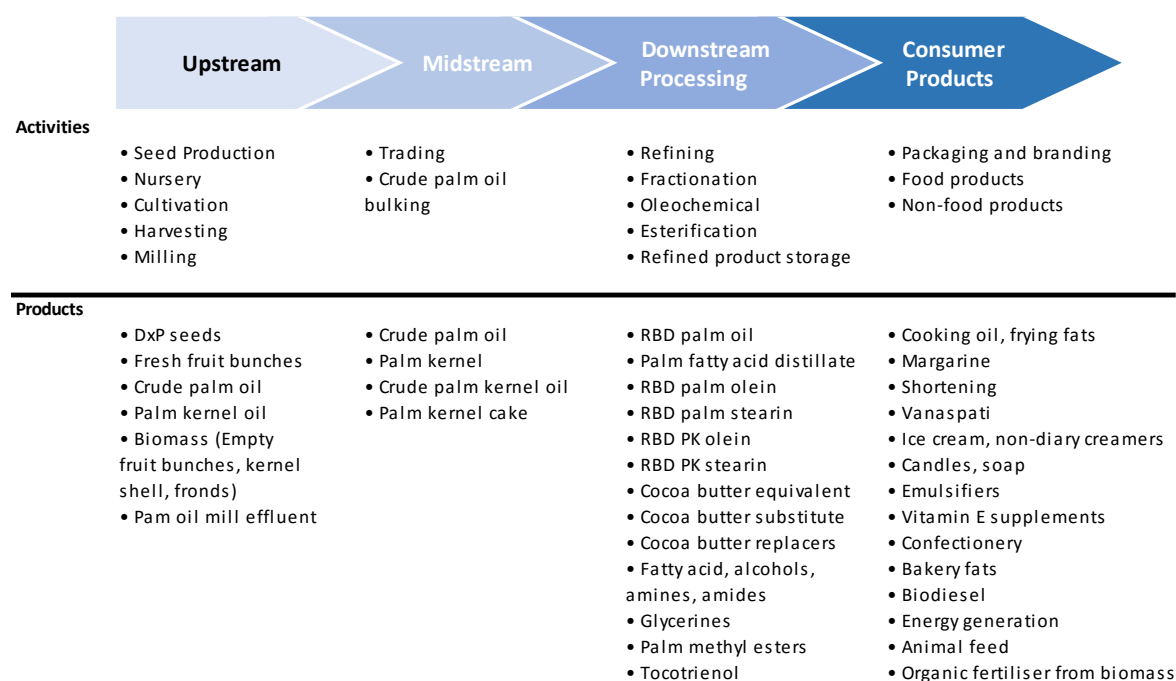


Figure 2-10 The palm oil value chain and applications

Source: [http://siteresources.worldbank.org/EDUCATION/Resources/278200-1121703274255/1439264-1242337549970/Malaysian\\_Palm\\_Oil\\_Industry.pdf](http://siteresources.worldbank.org/EDUCATION/Resources/278200-1121703274255/1439264-1242337549970/Malaysian_Palm_Oil_Industry.pdf)

Within the long palm oil value chain, the largest segment in Indonesia's palm oil industry is the upstream segment, particularly the plantation sector. Indonesia's oil palm plantation sector is characterised by two different production systems: large-scale oil palm plantations and mills, and smallholder farms.<sup>8</sup> Large-scale plantations can be further distinguished into two types: private enterprise and state-owned enterprise. There are nearly 900 national and foreign private enterprises

<sup>8</sup> According to Ministry of Agriculture Decree No. 98/Permentan/OT.140/2013 concerning Guidelines for Licensing of Plantation, plantation is classified into two types: large-scale plantation with total area  $\geq 25$  ha and small-scale plantation with total area less than 25 ha.

and 11 state-owned enterprises producing palm oil in Indonesia, covering 5.66 million ha (51.65 per cent of total cultivated area) and 748,000 ha (6.83 per cent), respectively, in 2014 (Ministry of Agriculture, 2015). It is worth noting that among the private companies are subsidiary companies of at least 30 national and multinational palm oil conglomerates, each controlling more than 30,000 ha of cultivated area. In addition, according to Indonesian Oil Palm Smallholders Union (*Serikat Pekerja Kelapa Sawit/SPKS*),<sup>9</sup> there are more than 3 million smallholders spread across 22 provinces. Smallholders can be divided into two types: scheme or plasma smallholders that receive credit from a plantation for planting and inputs, and independent smallholders who are unassisted but generally use an estate mill to process their fruit (Potter, 2015). Total smallholder area cultivated in 2014 was around 4.5 million ha (41.52 per cent of total cultivated area), of which 916,351 ha were plasma estates and 3.63 million ha belonging to independent smallholders (Ministry of Agriculture, 2015). The large smallholder cultivated area, however, is not matched by their productivity. According to Ministry of Agriculture (2015), there are gaps of productivity between palm oil companies and smallholders, particularly independent smallholders. This is due to a general lack of capability to apply good agricultural practices, low quality seed stock and insufficient infrastructure (Ministry of Agriculture, 2015) (see Table 2-6).

Table 2-6 Oil palm plantations productivity (Ton/Ha/Year), 2013

Owner	Productivity
Smallholders plantation	3.2
State-owned plantation	3.8
Large Private National Plantation	3.7
Large Private Foreign Plantation	4.6
<b>Average</b>	<b>3.8</b>

Source: Ministry of Agriculture (2015).

In the downstream sector, the cooking oil industry is the oldest industry (PASPI, 2014). Between 2002 and 2008, the Indonesian palm cooking oil industry grew dramatically in terms of number of manufacturers, production capacity and total production (GAPKI, 2014). The number of manufacturers grew from 70 in 2002 to 74 in 2008, with a capacity increase from 8.2 to 154 million tons. Total domestic production of palm cooking oil increased from 3.7 million to 7.9 million tons in the same period.

Two other prominent sectors in the downstream processing segment that have recently been developed in Indonesia are the oleo-chemical and biodiesel industries. The former produces three basic products, namely fatty acids, fatty alcohol and glycerin. These products are used as ingredients in numerous products in the food, leather and metal working industries, also foundries, mining,

<sup>9</sup> Interview with SPKS on 26 February 2015.

rubber, electronics, lubricants and hydraulic fluids, paints and coating, painting and paper recycling, plastics, waxes, soap and detergents, health and hygiene products, cosmetics, animal feed, pharmaceuticals and agrochemicals (PASPI 2014). Until 2009, there were 33 companies involved in the business of producing oleo-chemicals and a combination of all three (PASPI, 2014).

Increasing biofuel demand due to growing concern over global warming and adoption of renewable energy policies in many developed countries combined with decreasing fossil fuel reserves have driven growth of the global biodiesel industry. The Indonesian Government is encouraging the establishment of a domestic biodiesel industry to reduce the country's dependence on diesel oil imports. There are currently 18 biodiesel plants operating in Indonesia with a joint capacity of 3.2 million litres (Potter, 2015).

Today, Indonesia is able to produce most products within the palm oil value chain, serving two different markets: domestic consumption and international manufacturing. According to PASPI (2017), Indonesia's domestic palm oil consumption in 2016 reached 13.5 million tons (or 30 per cent of total CPO production in the same year) for olein (cooking oil, margarine, etc.), oleochemical and detergent and biodiesel industries. The remaining 70 per cent of Indonesian CPO and derivatives are exported to different countries, with India, China, the European Union and Pakistan being the largest buyers.

## 2.6 Conclusion

The history of palm oil industry development in Indonesia demonstrates the critical role of government in the sector. Policies introduced by colonial governance and subsequently the Indonesian Government have created the current constellation of stakeholders and shaped the contemporary structure of Indonesia's palm oil industry. A lack of attention from authorities to environmental and social aspects, coupled with generally weak law enforcement, has led to an array of problems and controversies.

Introduction of the Agrarian Law of 1870 during the colonial era, and then Law No. 1/1967 and Law No. 5/1967 and the later agreement with the IMF in 1998 during the New Order Era have each enabled private sector actors to dominate the palm oil industry. During the early years of Indonesia's independence, Sukarno's nationalisation program established a role for state-owned enterprises in the plantation sector. Introduction of the NES scheme in the late 1970s and subsequent developments and refinements led to the emergence of smallholders in the sector that was once dominated solely by large scale corporations and parastatals. Private companies, the state-owned enterprises and smallholders have each contributed to rapid expansion of oil palm plantations in Indonesia over the last three decades.

It is important to note that the rapid expansion of oil palm plantations in Indonesia would not have taken place without growing demand for palm oil and its products in the global market. International manufacturers and retailers now depend on palm oil supplies from Indonesia. More new plantations are being established to meet increasing demand.

Despite benefits of the palm oil industry to the country's economy, sector development demonstrates the government's inability to ensure good agricultural practices on palm oil plantations. Growers practice unsustainable palm oil production without proper supervision from central and regional governments. As a result, environmental degradation and conflicts between companies and indigenous and local communities continue to plague the sector. The escalation of these problems has attracted the attention of local and international civil society organisations. This has led to various measures intended to improve environmental governance in the palm oil sector. A more detailed discussion of stakeholders in the palm oil industry in Indonesia, and of different attempts to improve environmental governance and introduce certification, is presented in Chapters 5 and 6.



### 3 THEORETICAL AND CONCEPTUAL FRAMEWORK

#### 3.1 Introduction

This chapter discusses three concepts relevant to analysing emergence of the Indonesian Sustainable Palm Oil (ISPO), namely corporatism, sovereignty and environmental governance. The concept of corporatism is relevant because it emphasises important elements, such as dynamics between government and business, the level of autonomy that corporates have in their associations with government and the resulting state-business relations in regard to the policy-making process. Therefore, in this research corporatism is useful to understanding the relationship between state and business in Indonesia, in particular the role of the palm oil business association – GAPKI – in influencing the contours and trajectory of Indonesian government policy, particularly with regard to Indonesian Sustainable Palm Oil (ISPO) structure, rules and procedures.

Sovereignty is pertinent in this study as it focuses on several key dimensions, namely the state, authority and territoriality. As discussed in Chapter 6, sovereignty became an important theme during discussions leading to establishment of the ISPO. The concept of sovereignty helps to understand the Indonesian government's decision to resurrect state-centric palm oil governance. Through the ISPO, the Government of Indonesia asserts that state is the only entity that possesses legitimate authority to govern the resource sector in Indonesia, and that a mandatory scheme is the best mechanism to achieve a sustainable palm oil industry.

The concept of environmental governance is important in this study as governance of the palm oil sector involves a broad range of actors/stakeholders. Discussion in this chapter examines the evolution of environmental governance from state-centric governance towards multi-dimensional and global governance which has resulted in contemporary forms of environmental governance where different actors beyond states, such as the business sector, civil society and NGOs are now actively engaged in environmental policy-making and implementation. Creation of the Roundtable on Sustainable Palm Oil (RSPO) typifies this global trend of environmental governance where different stakeholders collectively attempt to achieve sustainable palm oil production. It is significant that the Government of Indonesia, seeking the same objective, decided to take a different path and implement a state-centric form of governance through creation of the ISPO. It is argued in this study that the decision to establish the ISPO should be seen as a consequence of Indonesia's unique historical legacy, with particular emphasis on the roles and forms that corporatism and sovereignty have taken in the country.

The remainder of the chapter is organised as follows: Section 3.2 discusses the concept of corporatism, including its definition and different types of corporatism. Section 3.3 discusses the concept of sovereignty, including definitions and types of sovereignty. This discussion provides a background for analysis of sovereignty as conceived by Indonesian palm oil stakeholders. Section 3.4 describes environmental governance, focusing on the meaning of environmental governance and different approaches taken. Section 3.5 reviews the conceptual framework of this thesis. Finally, section 3.6 overviews governance of Indonesia's palm oil sector.

## 3.2 Corporatism

### 3.2.1 What is corporatism?

Corporatism is neither an economic nor political ideology, but rather a conceptual theory useful in understanding how states solve profoundly challenging and complex matters by engaging the participation of other interest groups to implement strategies for addressing those challenges. Corporatist tendencies can be found at all levels of governance, central and regional, and in systems based on any ideological approach, be it democratic or authoritarian.

Within the political science discipline, corporatism takes a position somewhere between the pluralism and totalitarianism continuum. Yet, pluralism and corporatism as a method in political science have some basic common premise, namely in the lead actors of both schemes, which are state and interest groups, and in the main objective of tackling issues within a certain sector by way of policy-making and implementation. Schmitter (1974, p. 96) describes pluralism as:

a system of interest representation in which the constituent units are organised into an unspecified number of multiple, voluntary, competitive, nonhierarchically ordered and self-determined (as to type or scope of interest) categories which are not specially licensed, recognised, subsidised, created or otherwise controlled in leadership selection or interest articulation by the state and which do not exercise a monopoly of representational activity within their respective categories.

Although both approaches share common premises, pluralism can be distinguished from corporatism by observing two fundamental differences, which are nature of the actors involved and the state's role within policy-making and implementation processes. Hence, the character of actors involved in the decision-making process and nature of their relations with the state are the principal means of distinguishing a corporatist from a pluralist system of representation (Molina & Rhodes, 2002). As explained in the above definition of pluralism, the approach allows greater participation of various interest groups from diverse levels and backgrounds in political activities of a particular field, in contrast to the corporatism approach which involves

state's engagement with only one group in a particular sector. In addition, in pluralism the state exercises less control within the respective field, allowing interest groups greater authority to organise and mobilise themselves.

Wiarda (1997) explained that within pluralism interest groups are unrestrained, unrestricted and entirely autonomous from the state. They manage their own affairs and in liberal states there are few limitations barring interest groups from conducting their activities. Consequently, a large number of interest groups may co-exist in one state with strong rivalry among them. In this model, the state generally assumes a lesser part, acting as a transmission belt and filter for undertakings of interest groups. However, the state does not control the procedure or enforce its own particular interest on it. In pluralism, along with their activities, interest groups are the centre of the political framework.

Totalitarianism is considered the opposite of pluralism. Totalitarianism, according to Borowski (2017, p. 99) is defined as:

a form of social system (usually a state one), the essential feature of which is to strive for seizing strict subordination and constant control over all areas of social and individual life. As part of these efforts, totalitarian systems generate the formation of a number of institutions that strive to surveil and control individuals and social groups.

It is worthy to note that totalitarianism is not necessarily associated with dictatorship, although as Borowski (2017) argues both have significant limitation of civil liberties and personal freedom. In Lefort (1986, p. 79) words, "totalitarianism is not the same thing as a dictatorial regime [...], it is not a political regime: it is a form of society."

In the totalitarian model, a single mass party characterises the structure of an organisation with a dominating figure at its helm, retaining all political authority. The state maintains clear and comprehensive ideological establishment and is closely identified by its vast bureaucratic system centrally overseeing all economic activity. The internal policies in such arrangement often focus on the dynamic, with aspirations to reconstruct society (Ridgewell, 1970).

The term totalitarian, according to Wiarda (1997), implies absolute authority where no associations or affiliations are permitted to exist independently or separately from the state. In contrast to pluralism, within totalitarianism the state undertakes all major decision-making, while interest groups act as a façade to the ruling regime, although now and again they do assist in executing state policies. One of the most visible indications of totalitarianism is that no grassroots representation exists from the lower level in decision-making processes (through public hearings, elections, interest groups, or in some other way); there exists only top-down control (from the state or dominant ruler).

Wiarda (1997) explains that in envisioning the contrasts between pluralism, totalitarianism and corporatism, it is important to consider these concepts as a spectrum as opposed to either-or selections. Toward one end of the spectrum (pluralism) we find a weak state and strong interest groups. At the opposite end, in totalitarianism we find a strong state but weak interest groups totally under the control of authority. In between is where corporatism lies, where we have a strong (yet not totally in control) state and structured interest groups (mostly free, although somewhat controlled) that are restricted in number.

As mentioned previously, corporatism takes an intermediary position between pluralism and totalitarianism. Scholars of corporatism suggest the concept represents 'the third way', as an alternative to the previous approaches. On one hand, corporatism underlines the strong, guiding and directing state, but is not totalitarian. On the other, corporatism is typically characterised by state-structured and regulated interest groups, but is unlike total control of totalitarianism or the entirely unconstrained interest-group struggle of pluralism.

Although corporatism has been an important approach within the realm of political science, as Scruggs (1999) argues, the exact meaning of corporatism remains ambiguous. On one hand, it can be understood as a theory or model of state and interest group relationships that applies to all societies. On the other, the description of institutions governs relations between national interest groups and the state. In this research, the term corporatism is based mainly on the former, rather than the latter.

Despite ambiguity and difficulties to provide a single definition of corporatism, as it manifests in a variety of forms, cultures and time periods (Wiarda, 1997), it is helpful discuss some corporatism definitions to at least grasp the idea. The most cited definition of corporatism is described by Schmitter (1974, p. 96) as:

A system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, noncompetitive hierarchically ordered and functionally differentiated categories recognised or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports.

Stepan (1978, p. 46) provides a simple and useful definition of corporatism:

Corporatism refers to a particular set of policies and institutional arrangements for instructing interest representation. Where such arrangements predominate, the state

often charters or even creates interest groups, attempts to regulate their number, and give them the appearance of a quasi-representational monopoly along with special prerogatives.

Further, Wiarda (1997, p. ix) defined corporatism as:

A system of social and political organisation in which major societal groups or interest (labour, business, farmers, military, ethnic, clan or patronage groups, religious bodies) are integrated into the governmental system, often on a monopolistic basis or under state guidance, tutelage, and control, to achieve coordinated national development.

From the definitions above, we can draw a common thread that corporatism describes a state-society relationship in which the states assumes the leading position in structuring and regulating interest groups, providing recognition primarily to a single group in any given sector.

As far as the application of corporatism is concerned, as indicated by Porter (2002), the state assumes a chief role in managing, developing and formulating guidelines for organised internal activities of any particular sector, along with external communications amongst groups and between such groups and the state. In its classical optimal form, Porter (2002) clarified corporatism through legitimization, licensing and mandatory enrollment of assigned categories by the state which guarantees controlled materialisation and numerical restriction of organised interest demands, as opposed to the unconstrained and self-governing growth of interests as in pluralist political frameworks. Furthermore, the interest group scheme helps state bureaucracy sidestep the political parties and forge direct connections with society.

### 3.2.2 Different types of corporatism

Corporatism can materialise in many forms, contingent upon power dynamics between the state and private sectors. Schmitter (1974), in his seminal work 'Still the century of corporatism?', differentiated corporatism as two types: 'state or authoritarian' corporatism and 'societal or liberal' corporatism. In authoritarian corporatism, the state is involved in creation of corporations which are "created by and kept as auxiliary and dependent organs of the state" (Schmitter, 1974, p. 102). The state exercises substantial authoritative influence over interest groups, controlling and penetrating such groups. In contrast, liberal corporatism is characterised by the existence of singular, non-competitive, hierarchical ordered representative organisations, which are autonomous in their origins (Schmitter, 1974). Thus, this type of corporatism emphasises a more cooperative relationship between interest groups and the state in which interest groups may be independent from the state. The term neo-corporatism refers to a type of corporatism characterised by a quasi-open policy-making system (Hartono, 2011). Neo-corporatism involves incorporation of interest groups in

decision-making processes and policy implementation. In Wiarda's (1997, p. 120) words, such approach "seeks to bring in and involve in democratic, participatory decision making the very groups that earlier corporatism sought to regulate and control."

Corporatism can also manifest in many different forms across regions and countries (Wiarda, 1997). The variety of forms depends on local belief systems and histories, as well as social, economic and political structures. Moreover, although corporatism is regarded as a phenomenon which emerged prominently in Western culture, the model is also present in many countries in Asia, the Middle East and sub-Saharan Africa. In order to understand corporatism and its various forms, we need to delve into different models of corporatism existing in non-Western countries.

As discussed in detail in Chapter 6, Indonesia has experienced an evolution of corporatism from an authoritarian/state corporatist and liberal corporatist model during the New Order era, to the neo-corporatist approach of the post-Suharto era. Such evolution occurred, as Wiarda (1997) argues, due partly to the effects of economic development. The author further explains that in most cases economic development leads to emergence of new social and political forces (e.g. business people, labour unions and a variety of professionals) who may demand a voice in the political process. In the case of Indonesia, Suharto's regime used corporatism as a means to control such socio-political dynamics. Rather than allowing pluralism and democracy to develop, the authoritarian regime adopted a set of official, state-directed institutions and associations (corporatism) to channel, direct and supervise new groups that emerged as a result of the economic development process. As a consequence, development proceeded, authoritarianism was preserved, and democracy and pluralism were avoided. Following the fall of Suharto in 1998, the Indonesian socio-political landscape changed dramatically and, with regard to state-civil society relations, the government included interest groups in decision-making process and policy implementation – a neo-corporatism approach. Further discussion of neo-corporatism in Indonesia and how it relates to emergence of the ISPO is unpacked in more detail in Chapter 6.

### 3.3 Sovereignty

#### 3.3.1 Definition and type of sovereignty

The term sovereignty originally referred to absolute supremacy of a ruling monarch. The meaning of sovereignty has since evolved to denote independence of states (Fowler & Bunck, 1995). Following that evolution, states became the principal owner of external sovereignty and it became illegitimate to interfere in other state's internal affairs (Philpott, 1997). Although the idea of sovereignty can be traced back to the work of Aristotle, and later a number of scholars such as Jean Bodin, Thomas Hobbes and Hugo Grotius, it was the Treaty of Westphalia in 1648 that was the most significant

diplomatic and juridical event influencing the idea of a modern sovereignty state system (Kaufman, 2013; Nagan & Hadad, 2012; Shinoda, 2000). The Treaty of Westphalia that ended the Thirty Years' War established several basic principles within modern international relations and provided the notion of the nation state as the primary actor in the international system (Kaufman, 2013).

How do we define sovereignty? As the concept of sovereignty is central to international relations theory, it is reasonable that definitions of the concept are explained mostly by international relations scholars. In his seminal work, 'Theory of International Politics', Kenneth Waltz (1979, p. 96) provides a good working definition of sovereignty:

To say that a state is sovereign means that it decides for itself how it will cope with its internal and external problems, including whether or not to seek assistance from others and in doing so to limit its freedom by making commitments to them. States develop their own strategies, chart their own courses, make their own decisions about how to meet whatever needs they experience and whatever desires they develop.

While Morgenthau (1948) did not explicitly provide a definition of sovereignty, this author addressed the assumption of states being sovereign, that is supreme law-creating, law-enforcing authorities within their territory and polity. Morgenthau (1948) further explained that sovereignty of the state as a law enforcing agent is identical to sovereignty in the judicial field, that is, the ultimate decision as to whether and how to engage in a law enforcing action lies with the individual state. Furthermore, in a given territory only one state can have sovereignty, that is, supreme authority, and no other state has the right to perform governmental acts within that territory without the consent of the state which has sovereignty over it. Further, Holsti (1995, as cited in Kaufman 2013, p. 84) notes that:

The principle of sovereignty is relatively simple: Within a specified territory, no external power ... has the right to exercise legal jurisdiction or political authority. This establishes the exclusive domestic authority of a government. That authority is based on a monopoly over the legitimate use of force.

In general, we can conclude that sovereignty means supreme authority within a territory. Thus, the term sovereign state, according to Morgenthau (1948), logically implies that a state is independent and there is no authority above it. Therefore, the state cannot be subject to external law-enforcing powers operating directly within or upon its territory.

The concept of sovereignty can be distinguished into different types, and there are several different ways that scholars have made such distinctions. Dicey (1939, as cited in Heywood, 2004), for example, distinguished between 'legal sovereignty' and 'political sovereignty'. The former, as

Heywood (2004) explains, refers to ultimate and final authority residing in the laws of the state. This is *de jure* sovereignty where supreme power is defined in terms of legal authority. The latter, on the other hand, refers to the existence of a supreme political power with the ability to command obedience because it monopolises coercive force – *de facto* sovereignty. However, despite the distinction, in practice these two concepts are closely intertwined. Sovereignty always involves a claim to exert legal authority, a claim to use power by right and not only by virtue of force. In the palm oil context, the ISPO, as claimed by the Indonesian government, is the embodiment of sovereignty within the palm oil sector, an institution with full authority over management of oil palm plantations in Indonesia, and at times can wield its power by ‘punishing’ companies violating regulations established by the state.

The most common distinction of sovereignty among scholars is between internal and external sovereignty. Internal sovereignty refers to a state’s supremacy over all authorities within a given territory and over a given population without interference by other states in its domestic affairs (Bull, 2002; Steans, Pettiford, Diez & El-Anis, 2010; Viotti & Kauppi, 2013). Heywood (2004) notes that an internal sovereign is a political body that owns ultimate, final and independent authority over all citizens, groups and institutions in society, even if its decisions are constrained by other domestic actors. External sovereignty, on the other hand, is not about supremacy *per se*. It refers to the recognition by other states that the states possess the right to act independently in international affairs (Steans et al., 2010). It also means that sovereign states are independent and not under the authority of another state or ‘community’ (Newton & van Deth, 2010). In other words, external sovereignty exemplifies the principles of national independence and self-government (Heywood, 2004).

It is worth noting that within the discussion of sovereignty, most scholars agree that sovereignty is not static (see for example Nagan & Hadad, 2012; Prokhovnik, 2008). Rather, sovereignty is a dynamic and changing phenomenon because the concept has different meanings to different professions, disciplines, political and legal cultures (Nagan & Hadad, 2012), and states have applied the concept for different purposes under different circumstances (Fowler & Bunck, 1995). Moreover, the phenomenon of globalisation has changed the traditional notion of sovereignty, as states have become increasingly interdependent, while at the same time new non-state actors have emerged onto the international stage. Thus, states may no longer be the predominant actor in the world’s politics. Hashmi (1997, p. 3) states that:

State sovereignty today is “diffusing”, “shifting”, “diminishing”, “maturing”, “pooling”, “leaking”, “evaporating” – and all this happening, it would seem, at once. Clearly, we are



in the midst of some profound changes in traditional conceptions of state sovereignty and its role in international politics.

An example internal sovereignty in practice, which may illustrate the subjective application of this concept by the state, is the 'Asian values' discourse aggressively introduced in the 1990s by the then Prime Minister of Singapore, Lee Kuan Yew, and the Prime Minister of Malaysia, Dr. Mahathir Mohamad. Mauzy and Milne (2002, p. 57) discussed the discourse as follows:

The Asian values debate is often viewed in terms of a contest between the West, advocating the values of liberal democracy, and the East, representing the values of conservatism and tradition. The reassertion of Asian values has been in response to the West's, particularly America's, rigorous promotion of its own values.

The Singaporean and the Malaysian concepts of Asian values both allude to similar anti-western sentiments, adopting similar values within the same concepts. Lee Kuan Yew forthrightly argued that the success of Singapore's financial sector is directly linked to the superiority of tradition Oriental-Asian – or rather Chinese – cultural principles of contentiousness, frugality, discipline, respect of authority, dutifulness, preservation of communal harmony and strong family orientation (Barr, 2002). Similarly, Dr. Mahathir brought forth a Malaysian model emphasising traditional Asian values, with the addition of strong Islamic values. Mahathir was also responsible for directing the nation towards political-economic movements based on the Far East model, which resulted in economic and developmental success during that period (Maseland & Peil, 2008).

The Asian values paradigm generated the prototype of the 'Asian Model', which prioritised economic growth through a state-centric capitalist business model (Maseland & Peil, 2008), legitimised by sovereignty. In the ensuing period, rampant use of Asian values by both states, such as respect for authority and dutifulness, created strong opposition movements from civil society, accusing the states of using Asian values to legitimise an authoritarian approach (Mauzy & Milne, 2002).

Regarding external sovereignty, use of sovereignty as a pretext to legitimise a certain political movement are observed in the expanding role of non-state actors, such as international organisations and treaties, in influencing state policy-making processes. A notable example is the Kyoto Protocol, a trans-state treaty linked to the United Nations Framework Convention on Climate Change (UNFCCC) that engaged state parties in the commitment to decrease greenhouse gas emissions (United Nations Framework Convention on Climate Change, 2014a). During the 2001 Ratification Convention, the US, as a participating state, withdrew from the agreement due to disagreement over content of the global warming bill, which the US claimed would impact negatively on the state's economy and impair its economic sovereignty (Glahn & Taulbee, 2017).

In the ensuing Paris Climate Accord, initiated from 2015, in principal was not a continuation of the Kyoto Protocol, but rather another international platform to attempt remediation of climate change and its effect (United Nations Framework Convention on Climate Change, 2014b). The US has officially announced a desire to withdraw from this treaty, on similar grounds as withdrawal from the Kyoto Protocol, being impairment of the state's economic and employment competitiveness (The White House, 2017). Withdrawal by the US from both treaties is essentially an assertion of its rights under the principles of external sovereignty. Independent of impact of these decisions at the global level, such exercise of sovereignty in principal cannot be overruled and should be respected by other countries.

### 3.4 Environmental governance

#### 3.4.1 What is environmental governance?

To begin the discussion of environmental governance, it is necessary to first have a clear understanding of the term 'governance.' Despite vast and growing literature across a number of disciplines, there remains some confusion and conflation between the words 'governance' and 'government' (World Resources Institute, 2003).

Commonly, we associate the term 'government' with a state or polity. Government, as Stoker (1998, p. 17) explains, refers to "formal and institutional processes which operate at the level of the nation state to maintain public order and facilitate collective action." Similarly, Delmas and Young (2009, p. 6-7) state that government "is an organisation or collection of organisations specialised to address problems of governance in a well-defined setting, such as a nation-state." Thus, government is characterised by monopoly of legitimate coercive power and capacity to make and enforce decisions (Stoker, 1998). In sum, a government can be regarded as a set of institutions that control and regulate a state or country – or some territorial subdivision thereof such as province, shire or city – with political authority.

Over time the concept of government has shifted. Our understanding of governing where government has controlling and regulating power is changing (Peters & Pierre, 1998). Government is no longer just about state apparatus, and government institutions are not the only mechanism of governing (Wachhaus, 2014). There has been a transformation from a narrow view of government to a notion of governance that refers to a process that may involve many different actors (Hysing, 2009; Wachhaus, 2014).

As a concept, governance is considered very complex (Hysing, 2009). It has numerous meanings, definitions, scopes and dimensions in different social science literature (Bell & Hindmoor, 2011; Ruhanen, Scott, Ritchie, & Tkaczynski, 2010). Scholars, such as Stoker (1998, p. 18), refer to

governance as “a set of institutions and actors that are drawn from but also beyond government”. Another definition provided by Delmas and Young (2009, p. 6) states that governance is “a social function centered on efforts to steer societies or human groups away from collectively undesirable outcomes and toward socially desirable outcomes”. Furthermore, Young (1999) linked the term governance with the observation of rising interdependencies among members of international society, in particular global civil society. Hence, governance involves different actors independent from the state.

To provide more clarity to the term governance, Ruhanen et al. (2010) identify three common principles of governance. First, governance is not the same as government, hence, the terms cannot be used interchangeably. Second, governance indicates less government involvement and a degree of autonomy from the state. Third, governance comprises multiple actors beyond government. In a similar way, Hysing (2009) distinguishes between government and governance along three dimensions:

1. Governing styles and instruments: In government, central government is the main governing mechanism, while in governance the central government’s capability to govern using traditional tools is questioned.
2. Relationship between public and private sectors: In government, hierarchical and organised political institutions are seen as the main authorities within society, while in governance multiple actors are seen as more deeply involved in the policy process.
3. Relations between policy levels: In government, the nation state is the central locus of authority, while in governance multiple actors operate autonomously from the state and to some extent have the capacity to circumvent the national level in policy-making.

These distinctions between government and governance do not dismiss the relationship between government and governance. Bellamy and Palumbo (2010) distinguish three types of governance that illustrate the link between governance and government based on the governance literature: ‘governance by government’, ‘governance with government’ and ‘governance without government’. Governance by government refers to a situation where governance remains fully under government control. In contrast, governance with government refers to a type of political intervention where national government along with its agents act together with non-governmental agencies. Finally, governance without government describes a style of governance where governing actions are carried out entirely by different societal agents and NGOs without formal involvement of state actors.

How then should we define environmental governance? By linking the words ‘environment’ and ‘governance’ we can perceive that the terminology refers to governance that focuses on the

environment. Speth and Haas (2006) state that the term environmental governance refers to the intersection between governance and environmental affairs. However, definition of environmental governance is not that straightforward. A broad range of literature on environmental governance with different perspectives has resulted in various definitions of environmental governance. Different interpretations of the words environment and, in particular, governance (as seen above) have led scholars to interpret, define and imagine environmental governance in various ways (Stripple & Stephan 2013). Below are examples of a few simple definitions of environmental governance:

1. The World Resources Institute (2003, p. 2) describes environmental governance as “how we make decisions about the environment and who participates in these decisions”.
2. Paavola (2005, p. 93) defines environmental governance as “the establishment, reaffirmation or change of institutions to resolve conflicts over environmental resources”.
3. Lemos and Agrawal (2006, p. 298) refer to environmental governance as “a set of regulatory processes, mechanisms, and organisations through which political actors influence environmental actions and outcomes”.

From the wide array of definitions in the literature, Koetze (2012) categorised environmental governance literature into eleven perspectives, namely:

- general institutionalist perspectives,
- reformative perspectives,
- cooperative perspectives,
- infra-national and supra-national reciprocity,
- UN-centered perspectives,
- law-centered perspectives,
- sustainability perspectives,
- political perspectives,
- pluralist perspectives,
- administrative perspectives, and
- perspectives on emerging forms of the next generation of global environmental governance.

Sustainable development and sustainability are central to this research. Thus, this research required a definition of environmental governance within a sustainability perspective. Najam, Papa and Taiyab (2006, p. 9) provide an appropriate definition of environmental governance within this perspective:

“The sum of organisations, policy instruments, financing mechanisms, rules, procedures and norms that regulate global environmental protection. Within the context of the evolution of global environmental politics and policy, the end goal of global environmental governance is to improve the state of the environment and to eventually lead to a broader goal of sustainable development.”

The above definition of environment governance fits with the context of this research. The emergence of palm oil governance represents, borrowing Gulbrandsen’s (2010, p. 17) term, a “new form of environmental and social governance” in which new organisational forms are established to develop certain rules, procedures and norms of conduct to protect the environment and to seek an overarching objective, i.e., sustainable palm oil production.

Most scholars place environmental governance in a global context and, accordingly, use the term global environmental governance rather than environmental governance (see for example Biermann, 2004; Delmas & Young, 2009; Najam, Papa & Taiyab, 2006; Speth & Haas, 2006). The rationale is that environmental degradation disregards territorial borders. Further, globalisation has intensified environmental degradation so that it has become a transnational problem (Mori, 2013). As such, environmental protection needs global action by global actors. In this thesis, the terms environmental governance and global environmental governance are used interchangeably. As explain by Strippel & Stephan (2013), the unit of governance will be anchored to particular places, but linked globally through networks. Environmental protection and sustainable development, as they further describe, are in fact “public goods” to be provided through various mechanisms of national and global governance.

### 3.4.2 Approaches to environmental governance

This section mainly discusses evolution of different governance systems by considering the distinct roles of actors and involvement in creation and implementation of global environmental governance schemes. Actors – individuals or organisations – play different roles in environmental governance systems, and interactions among them have shaped current global environmental governance (Haufler, 2009). Actors abide by certain sets of rules (Finger, 2008). According to Finger (2008) these rules are sometimes synonymous with ‘institutions’ and set incentives for the actors – individual and collective – behavior. Institutions are consequently a basic element of governance.

In terms of institutional arrangements, Finger (2008) explains there has been an evolution from state-centric approaches to hybrid approaches, which is parallel to globalisation. At a global level, the emergence of difference forms of environmental governance is mainly shaped by three global actors: the public sector (nation-states/government), business sector (mainly multinational corporations)

and civil society (non-governmental organisations). The approach adopted for this thesis is Delmas and Young's (2009) approach that distinguishes environmental governance into three main forms, each with its derivative forms: state-centric governance, private governance and hybrid governance.

### *State-centric governance*

The state-centric perspective of environmental governance derives primarily from early political science and international relations literature (Djelic & Sahlin-Anderson, 2006). According to Haas (2008, p. xxi), the state-centric perspective places emphasis on "the role of dominant (or hegemonic) states exercising international leadership on behalf of their perceptions of their national interests". Thus, in this perspective, states are the central pillars of regulation and governance, both within and across national boundaries (Djelic & Sahlin-Anderson, 2006). In the context of environmental governance, the term state-centric refers to sovereignty of nation-states and their capacity to control decisions concerning management and use of resources within their territorial jurisdictions, from which the nation state also obtains most benefits (see for example Bushley, 2014; Karkkainen, 2004).

Young (2009) distinguished state-centric governance into two forms: governance by government and governance by intergovernmental agreement.

**Governance by government:** The state, as Duit (2016, p. 69-70) explains, "remains the primary mode of social and political organisation and the main locus of collective decision making." Thus, the notion of this form of governance is that effective governance depends on state authority in establishing and implementing regimes (Falkner, 2003). Government is the sole or leading actor in the effort to address environmental issues through issuance of government regulations. An example of environmental governance by government is the US Environmental Protection Agency (EPA), a United States federal government agency established with the mission to protect health and environment by developing and enforcing regulations, including setting up national standards (Environmental Protection Agency, 2017).

**Governance by inter-governmental agreement:** With increasingly extensive environmental degradation over past decades, undeniably, individual nation states have limited capabilities to solve environmental problems. Climate change and global warming, greenhouse gas emission, ozone depletion and haze pollution, for example, have become global issues rather than national problems. A common response under such circumstances, as Young (2009) explains, is to establish governance systems or regimes through inter-governmental agreements or multilateral environmental agreements. Ronald B. Mitchell from the University of Oregon developed a comprehensive International Environmental Agreement (IEA) database listing more than 1,200 multilateral environmental agreements and nearly 1,600 bilateral environmental agreements established since

1950 (Mitchell, 2002-2017). Well-known inter-governmental agreements include the UN Framework Convention on Climate Change, the Montreal Protocol on Ozone Protection and the Convention on Biological Diversity and Convention on International Trade in Endangered Species (CITES).

### *Private governance*

The inability of national governments to fully address environmental problems and adequately govern global standards has led to an awareness that governance does not rely solely on government. Thus, over the last few decades, we have witnessed the emergence and dramatic proliferation of private governance at the global level driven by non-state actors, such as transnational corporations and non-governmental organisations (NGOs) (see Delmas & Young, 2009; Falkner, 2003; Haufler, 2009). As Delmas and Young (2009) explain, the result of such efforts takes a diversity of forms, including adoption of principles or codes of conduct, development of certification and eco-labeling schemes and an array of non-state, market-driven governance systems (NSMDs). Private governance can be further distinguished into two forms based on the main drivers, namely, market-based governance (driven by the business sector) and civil society initiatives (driven by NGOs).

**Market-based governance:** Multinational corporations have become significant actors in world politics, including environmental issues as they respond to concerns about their accountability for environmental degradation. Thus, it is logical to acknowledge the potential role of corporations and business associations in meeting the need for environmental governance and to examine the prospects for private governance (Young, 2009). Business sectors tend to seek clarity and predictability concerning the rules governing their operations. Therefore, in the absence of regulatory rules it makes sense for them to establish forms of corporate self-regulation (Delmas & Young 2009; Falkner 2003). According to Falkner (2003, p. 79), this self-regulation “reflects not so much a desire by corporations to govern themselves but a need to respond to public pressure”.

During the 1970s and early 1980s, business sector responses to environmental issues were mostly inimical and reluctant (Falkner, 2003). However, since the 1980s there have been changes in corporate behaviour. As a response to pressure from transnational campaigns, new responses emerged from the business sector strategically based on learning and values, as well as the proactive and systematic inclusion of environmental goals into company strategies (Falkner, 2003; Haufler, 2009).

Examples of corporate initiatives on environmental issues include The International Chamber of Commerce Business Charter for Sustainable Development, World Business Council for Sustainable Development, Sustainable Forestry Initiative and Global Good Agricultural Practice. Banks and other

financial institutions have also begun signing up to a number of initiatives aimed at indirectly regulating the activities of borrowers, including borrowers active in the palm oil industry. These include the Equator Principles and the UNEP Statement of Commitment by Financial Institutions to Sustainable Development.

Private governance forums introduced a variety of sustainability standards for certain agricultural commodities such as palm oil, coffee and cocoa. As discussed by Wijaya and Glasbergen (2016), the objectives of these standards and certification schemes are to improve the social and environmental aspects of production while at the same time maintaining or improving the economic prospects for international trade. Furthermore, Wijaya and Glasbergen (2016) explained that the new certification system effectively fit into liberal notions of governance that sustainability can be achieved through market mechanisms where governments have been unsuccessful in promoting sustainable production.

**Civil society initiatives:** Civil society organisations have emerged as prominent actors in global politics. Their influence cannot be underestimated (Delmas & Young, 2009) and has resulted in development of alternative governing institutions for managing the global agenda and courses of action in global public policy across a variety of arenas, ranging from environment and climate to migration and refugees, freedom of information and human rights (Kim, 2013). In the environment context, civil society has become “a locus of creative initiatives for those seeking to address the need for governance for sustainable development” (Delmas & Young 2009, p. 7) and environmental NGOs are among the prominent actors within global environmental governance (Gemmill & Bamidele-Izu, 2002).

The prominence of environmental NGOs is evidenced by a vast increase in their attendance at various world summits and international conferences, as well as participation in global environmental governance more generally (Haas, 2008; Kim, 2013). They have become more engaged in the policy-making process and played a significant role in establishment of private environmental governance (Falkner, 2003; Gemmill & Bamidele-Izu, 2002; Kim, 2013). Environmental NGOs contribute to environmental governance in a variety of forms, such as: contributing to public education, mobilising domestic interests, informing delegations at meetings, imposing accountability and enforcement, building norms and directly administering projects in developing countries (Haas, 2008). Examples of environmental NGO initiatives in global environmental governance include: the Rainforest Alliance/Sustainable Agriculture Network (SAN) standard that promotes environmental and social sustainability of agricultural activities (Rainforest Alliance, 2016), and WWF Aquaculture



dialogue that creates standards to minimise the negative environmental and social impacts for key farmed species (Worldwide Fund for Nature, 2017).

### *Hybrid governance*

In general, hybrid governance is a collaborative partnership between government agencies, the private sector and civil society groups (Galli & Fisher, 2015). Delmas and Young (2009, p. 8-9) explain that in hybrid governance “various actors seek to establish coalitions that cut across different approaches to governance in the interests of meeting the increasing demand for governance for sustainable development”.

According to Mert (2013), hybrid environmental governance has become the preferred model of governance, over state-centric and private governance, and numerous hybrid environmental governance strategies are in practice today (Lemos & Agrawal, 2009). This move to hybrid environmental governance has occurred as environmental problems have become more complex and crossed national boundaries making partnership and collaboration among global actors inevitable. Consequently, hybrid governance emerged as an alternative approach involving initiatives to bring together two, or even all three, forms of governance to tackle environmental problems (Young, 2009). According to Lemos and Agrawal (2006), hybrid forms of environmental governance emerged due to a recognition that no single actor possesses the capabilities to address the multiple facades, interdependencies and scales of environmental problems singlehandedly. Hybrid governance is not merely collaboration between different actors, rather this form of governance combines different rationales, steering modes and goals to address environmental issues (Mert, 2013).

The Coalition for Environmentally Responsible Economies (CERES) is an example of a hybrid environmental governance model. Founded in 1989, CERES is a non-profit organisation comprised of more than 140 environmental and social non-profit organisations, investment firms and foundations with commitment to sustainability. Its objective is to promote environmentally, socially and financially robust investment policies by involving companies in dialogue. CERES has developed environmental principles that establish long-term commitment to continuous improvement in environmental performance (Pattberg, 2009). The CERES principles include (Srinivas, n.d.):

1. Protection of the biosphere
2. Sustainable use of natural resources
3. Reduction and disposal of wastes
4. Energy conservation
5. Risk reduction

6. Safe products and services
7. Environmental restoration
8. Informing the public
9. Management commitment
10. Audits and reports

To support their commitment, CERES signatories to environmental principles also pledge to reduce risk, disclose hazards and compensate for damages, as well as agree provide high-level management support for environmental activities and gather and distribute information regarding their environmental performance. In February 1993, oil producer Sun Company became the first Fortune 500 company to sign up to CERES principles. Subsequently, numerous other giant companies also signed up to CERES principles, such as General Motors, Polaroid, Body Shop International, Coca Cola USA, American Airlines, Ford Motor Company and Bank of America (International Institute for Sustainable Development, 2013). CERES is governed by a board of 22 distinguished individuals (CERES, 2016a), while its daily operations are supervised by an 18 member President's Council (CERES, 2016b) and executed by 95 staff (CERES, 2016c) located in its headquarters in Boston and the CERES San Francisco office (Pattberg, 2009; <https://www.ceres.org/>).

Hybrid environmental governance also occurred in specific sectors, such as forestry, marine resources and agriculture. The Forest Stewardship Council (FSC) is an example of hybrid environmental governance in the forestry sector. Established in 1989, it is a consensus-based organisation with a balanced voting structure. There are two distinct types of FSC members: organisational members (such as forestry companies, environmental groups and retailers) and individual members (such as academics, students and activists). The FSC aims to promote environmentally appropriate, socially beneficial and economically viable management of the world's forest resources. To achieve this objective the FSC established a set of rules, known as Principles and Criteria (FSC P&C), that cover wide range of issues, such as social and economic well-being of workers, indigenous people and local communities, environmental impact, as well as monitoring and assessment and implementation of the FSC certification scheme (Forest Stewardship Council, 2017).

### 3.5 Conceptual framework

A conceptual framework for this study was formulated (Figure 3-1). As mentioned previously, Indonesia's unique historical legacy of corporatism, in particular neo-corporatism and sovereignty, is the main driver that underlies the decision to establish the ISPO as a form of state-centric environmental governance. The Indonesian palm oil association's (GAPKI's) relative power, vis-à-vis the Indonesian government, plays an important role in influencing the government to establish a

national scheme of palm oil governance. Aside from the ISPO's official objective to improve the competitiveness of Indonesian palm oil on the global market, while contributing to the objective set by the Indonesian President to reduce greenhouse gas emissions and draw attention to environmental issues, sovereignty was actually the main concern of Indonesia palm oil stakeholders. In this regard, Indonesia considers that state holds exclusive authority over environmental and natural resources policies within their territorial jurisdiction and this state-centric approach is built on the assumption that states are sovereign (Thomson, 1995).



Figure 3-1 Conceptual framework for this study

### 3.6 Governance in Indonesia's palm oil sector

As the palm oil sector in Indonesia is a multi-stakeholder industry, there are several prominent actors involved, including government agencies, palm oil producers and processors and related associations, environmental and other NGOs, smallholders and indigenous people, each with different concerns and interests.<sup>10</sup> A consequence of such diverse actors in the palm oil industry is a complex decision-making process in the sector.

Since the beginning of oil palm plantation expansion in the 1980s, the Indonesian government has given serious attention to sector development. There is a complex legal framework involving

---

<sup>10</sup> Key actors in the Indonesian palm oil industry, along with their concerns and interests, is discussed in detail in Chapter 5.

numerous laws, regulations and ministerial decrees issued by different levels of government and ministries related to management of palm oil plantations and industries. According to Paoli et al. (2013, p. 51), this framework can be distinguished into seven key areas of decision-making, namely:

- State vs private control of land
- Regional autonomy and division of authority between central and regional governments
- Legal structure for oil palm development
- Spatial planning
- Oil palm plantation licensing
- Management of environmental impacts, and
- Plantation performance and legal compliance

One objective of the above regulations is ostensibly to ensure that the palm oil industry has the potential to benefit all stakeholders and at the same time preserve the environment.

Land administration in contemporary Indonesia involves state laws and other strands of law, such as customary/*adat* laws and transnational law or international treaties (Tegnan, 2015; Wang, 2001; Wibowo, Murdiati, Race & Murdiningrum, 2012). These other strands of law are no less convoluted than state laws. For example, customary law consists of several types, such as those described by Safitri (2001, p. 128):

- Customary law in-use (the actual practices of customary norms in everyday life of communities)
- Customary laws as interpreted by community leaders
- Judge-made customary laws (as in court decisions)
- Jurist-constructed concept of customary law
- State-formulated customary laws (customary law in legislation)

As Safitri (2001) points out, during 32 years of President Suharto's administration, customary/*adat* laws were not considered part of national laws. This author further explains that various laws on natural resources at the time tended to ignore customary laws. This situation changed following the dawn of the 'Reformation Era' in the 1990s. Decentralisation enabled district government to enact regulations to recognise *adat* communities and their land. Moreover, amendments to the

Constitution following the end of the Suharto era in 1998 expressly recognised the rights of traditional peoples and respect for their customary rules, as described in articles 18B<sup>11</sup> and 18I (3).<sup>12</sup>

Regulations, norms and values articulated by several other non-state actors, such as international organisations, NGOs, multi-national corporations (MNC) and industry groups, as well as networks of activists, also contributed to complexity of the legal system in Indonesia (Johnstone, 2010). An example of such norms and values in practice was dispute settlement mechanisms involving villagers and forestry or plantation companies (see for example studies by United Nations Development Programme, 2012 and World Bank, 2008).

Recognition of existence of various sources of law by the nation-state, and the interaction of those legal systems within the domain of a social setting, is called legal pluralism (Wang, 2001; Wibowo et al., 2012). In the case of Indonesia, more often than not, existence of legal pluralism has been a source of problems and conflicts in land and natural resources management, including the palm oil sector, due to tensions – contestation or overlapping regulatory claims– among various actors. For instance, many *adat* communities continue to face difficulties to have secure recognition by the state while at the same time the government is still struggling to absorb the rights of *adat* communities within the state legal system and attempts to harmonise these have different degrees of success (Safitri, 2001; Tegnan, 2015). Moreover, the pluralistic nature of state laws also poses problems in which various laws and regulations overlap or even contradict one another. Wang (2001, p. 2) states that “the existence of the peculiarly Indonesian style of legal pluralism has and continues to contribute to the dissipation of national cohesiveness, promote inefficient governance, and deepen the chronic economic stagnation”.

Legal pluralism also presents opportunities for different actors – individually or group – to seek different economic and political objectives (Tegnan, 2015). Tamahana (2011, as cited in Tegnan, 2015, p. 9) argues:

Two coexisting bodies of law, state and customary, are brought into clash in a manner that unsettles both, allowing competing claimants to point to different legal sources in support of their conflicting positions.

---

<sup>11</sup> Article 18B reads: Article 18B (1) The State recognises and respects units of regional authorities that are special and distinct, which shall be regulated by law. (2) The State recognises and respects traditional communities along with their traditional customary rights as long as these remain in existence and are in accordance with the societal development and the principles of the Unitary State of the Republic of Indonesia, and shall be regulated by law.

<sup>12</sup> Article 18I(3) reads: (3) The cultural identities and rights of traditional communities shall be respected in accordance with the development of times and civilisations.

In the context of natural resources management in Indonesia, particularly in the palm oil sector, these conflicts between different types of actors pose another problem in that it creates an asymmetrical relationship between state, producers/processors, civil society and *adat* communities/indigenous people. In reality, *adat* communities/indigenous people are often in a weak and disadvantageous position, while large palm oil companies seem to have a close relationship with the state and, as a result, continue to ignore the law with impunity.

As outlined in Chapter 2, rapid oil palm plantation development is considered the primary driver of deforestation in Indonesia, thus contributing significantly to biodiversity and habitat loss, particularly dramatic reduction in populations of orangutans, tigers and rhinoceros in Sumatra and Kalimantan. The expansion of oil palm cultivation also creates numerous social conflicts due mainly to land acquisition by large palm oil companies.

Problems surrounding the oil palm industry have inevitably drawn the attention of environmental activists. The infamous 1997 Indonesian forest fires that blanketed the entire region in haze marked a significant turning point in the global campaign against palm oil production (Pye, 2013). Campaigns against palm oil producers and end-users intensified led by transnational environmental NGOs, such as Greenpeace, the Worldwide Fund for Nature (WWF) and Friends of the Earth. Hai (2013) explains that soon after the forest fires concerns of these international NGOs, working alongside national organisations such as Sawit Watch, broadened from an earlier narrow focus on deforestation and habitat loss to other impacts of oil palm expansion, such as indigenous people's rights and land and social conflicts.

In response to campaigns and boycotts by environmentalist groups, palm oil producers and associated entities attempted to establish and implement strategies to produce more environmentally friendly, sustainable palm oil. In 2004, the WWF, together with Aarhus Karlshamn UK Ltd (AAK), Migros, Unilever and the Malaysian Palm Oil Association (MPOA), initiated the Roundtable on Sustainable Palm Oil (RSPO) to encourage sustainability throughout the industry (Roundtable on Sustainable Palm Oil, 2017a) and at the fifth roundtable meeting in 2007 a certification system for sustainable palm oil was launched (Gulbrandsen, 2010). As a consortium of seven major palm oil stakeholder groups comprised of oil palm planters, palm oil processors or traders, consumer goods manufacturers, retailers, banks and investors, environmental and nature conservation NGOs and social or development NGOs, the RSPO aimed to promote growth and use of sustainable oil palm products through credible global standards and stakeholder engagement (Roundtable on Sustainable Palm Oil, 2017a).

In 2011, the Indonesian Palm Oil Association (*Gabungan Pengusaha Kelapa Sawit Indonesia/GAPKI*) unilaterally elected to relinquish its seven-year membership in the RSPO and pledged to instead recognise a new government initiative standard, the Indonesian Sustainable Palm Oil (ISPO) standard. Although no individual Indonesian palm oil companies have followed GAPKI's example, GAPKI's decision has had major political impact. After all, GAPKI represents the Indonesian palm oil industry as a whole and to some extent represents Indonesian Government interests.

Unlike the RSPO, with its formal organisational structure, the ISPO is a policy adopted by the Ministry of Agriculture on behalf of the Government of Indonesia (Indonesia Sustainable Palm Oil, 2013). It is a legally binding certification scheme based on a Minister of Agriculture decree<sup>13</sup> with all palm oil producers in Indonesia obliged to comply (Gillespie & Harjanthi, 2012). As a government scheme, the ISPO represents the Indonesian government's strategy to address negative allegations and perceptions of Indonesian palm oil and counter boycott actions led by international environmental organisations such as Greenpeace and Friends of the Earth (Wijaya & Glasbergen, 2016). Moreover, the ISPO is considered the government's attempts to harmonise palm oil related laws and regulations into a single regulation.<sup>14</sup>

Historically, the Indonesian government has been actively involved in growth and management of palm oil plantations through issuance of numerous laws and regulations, yet has failed to achieve 'sustainable palm oil'. This is the situation a scholar often described as 'government failures'. Delmas and Young (2009) posit that government was slow to respond to problems and regularly fell prey to corruption.

Emergence of the RSPO in 2004 represents the phase where non-state actors took charge and established private governance due to the failure of state-system (government) to address environmental and social problems. The RSPO is an example of hybrid governance where the private (business) sector and civil society work together to create a private-social partnership – sometimes called non-state market driven (NSMD) governance – as a response to sustainability issues and environmentalist concerns regarding ecological consequences of oil palm plantations. Thus, the RSPO voluntary certification scheme is expected to have the capacity to promote sustainable palm oil and ensure compliance with environmental requirements within the commodity supply chain from upstream to downstream.

The ISPO, on the other hand, presents a unique form of palm oil governance. As mentioned above, it is a legally binding certification scheme based on a Minister of Agriculture decree. Principles and

---

<sup>13</sup> Minister of Agriculture Decree No. 19/2011.

<sup>14</sup> More detailed discussion of the RSPO and ISPO is presented in Chapter 6.

criteria of palm oil sustainability are straightforward, based on existing regulations. In the ISPO government is the main driver, therefore the ISPO can be considered a form of state-centric governance of palm oil. Thus, emergence of the ISPO presents a significant question of how the ISPO should be understood as a form of governance, and how this form of palm oil governance is likely to influence effectiveness of measures for sustainable palm oil production in Indonesia.



## 4 RESEARCH DESIGN AND METHODS

### 4.1 Introduction

This chapter describes the research design and methodology applied in this research. The research encompassed different disciplines, such as environmental governance, environmental politics, sustainable development and sustainability, political economy and international relations. As such, the method of inquiry and analysis involved a number of approaches. This chapter begins with a discussion of case study design adopted for the research, in particular its relevance to the research. It then describes the techniques of data collection and various approaches to analytical methods utilised.

### 4.2 Research Design

Research design focused on emergence of two different palm oil environmental governance regimes that have affected Indonesia, the RSPO and the ISPO, with emphasis on the latter. These can be considered as related case studies of environmental governance schemes. The focus of this research was on the decision of the Government of Indonesia to establish the ISPO as a response to dynamics within the RSPO. As such, the research adopted a case study approach using two inter-related cases.

As a research strategy, the case study “is preferred in examining contemporary events, but when the relevant behaviors cannot be manipulated” (Yin, 2009, p. 11). Yin (2009, p. 18) defines the case study as “an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”. The case study method was well suited to this research because it helped develop an in depth and detailed understanding of the complex interactions and dynamics amongst key stakeholders in the Indonesian palm oil sector, and the consequences of these dynamics for how oil palm plantations are managed on the ground, especially in relation to establishment of the RSPO and ISPO as environmental governance schemes.

The main concern of this study was to determine the politics of interactions among pertinent key palm oil stakeholders, supported by developing a form of stakeholder analysis that included appraisal of power and influence. The research was also concerned with understanding causal relationships among various processes connected with the two palm oil governance schemes (RSPO and ISPO), recognising the complexity of organisational, social and political contexts surrounding them. A focus on language and rhetoric, particularly in relation to sustainability and concerns around sovereignty and corporatism as practiced in Indonesia, was also important for understanding the dynamics at play in the RSPO and ISPO. For this reason, the methods used were content analysis and discourse

analysis applied to the discourse taking place around palm oil, as revealed in documents and interviews. Each of these methods has particular strengths for answering the research questions and requires different, but overlapping, approaches to data collection, as shown in Table 4-1 and discussed in the following section.

Table 4-1 Research objectives and methods

Objectives	Analytical Methods	Data Collection
To comprehensively understand the development of the palm oil industry in Indonesia.	Content analysis: <ol style="list-style-type: none"> <li>1. To describe the history and development of palm oil plantations in Indonesia.</li> <li>2. To outline the range of problems relating to environmental, human rights, regional economic development etc.</li> <li>3. To provide an assessment of the Indonesian government's role in the industry.</li> <li>4. To highlight the emergence of key stakeholders today.</li> </ol>	<ol style="list-style-type: none"> <li>1. Document collection.</li> <li>2. Semi-structured interviews.</li> </ol>
To analyse stakeholders' interests in Indonesia's palm oil industry.	Combination of content analysis, stakeholder analysis, and discourse analysis: <ol style="list-style-type: none"> <li>1. To reveal key actors/ stakeholders involved in the Indonesian palm oil industry and their particular interests as well the character of their influence.</li> <li>2. To examine the dynamic interactions and relationships among a wide range of stakeholders in contemporary Indonesia's palm oil industry.</li> </ol>	<ol style="list-style-type: none"> <li>1. Document collection.</li> <li>2. Semi-structured interviews.</li> <li>3. Observations.</li> </ol>
To understand the reason and factors behind the Indonesian government's decision to withdraw from the Roundtable on Sustainable Palm Oil (RSPO) and establish the Indonesian Sustainable Palm Oil (ISPO)	Combination of content analysis and discourse analysis: <ol style="list-style-type: none"> <li>1. To trace the historical and political basis for current attitudes, practices and relationships of key stakeholder groups.</li> </ol>	<ol style="list-style-type: none"> <li>1. Document collection.</li> <li>2. Semi-structured interviews.</li> <li>3. Observations.</li> </ol>

Objectives	Analytical Methods	Data Collection
	2. To identify the sources and dispersal of particular doctrines and mindsets.	

### 4.3 Data collection

Data for this research was collected through a mixture of primary and secondary data collection techniques, including document collection, semi-structured interviews, site observations and academic research.

#### 4.3.1 Document analysis

Documents are often important as a source of data and information in case study research. In this research, documents were used for two key purposes, firstly to inform understanding of stakeholder perspectives and issues as part of preparations for interviews and, secondly, as source materials for the research.

Document analysis included official and unofficial documents prepared by ministries or institutions (e.g. regulations, decree, statistical books or reports and Principles and Criteria established by the RSPO), reports prepared by international institutions, NGOs and companies, as well as books, newspapers and magazines, presentations, websites and email discussions. Key documents analysed in this research are summarised in Table 4-2.

Prior to field work, preliminary content analysis of documents collected was conducted to identify and understand Indonesian palm oil industry stakeholders and their respective interests, power relations, constraints and overall perspective. Further documents were collected as the research progressed and a subset of key documents was then submitted to systematic content and discourse analysis.

Table 4-2 Key documents collected and reviewed

Institution	Documents Reviewed
Roundtable on Sustainable Palm Oil	<ul style="list-style-type: none"> <li>• RSPO Principles and Criteria 2013</li> <li>• Joint Study on the Similarities and Differences of the ISPO and the RSPO Certification Systems</li> </ul>
Parliament of the Republic of Indonesia	<ul style="list-style-type: none"> <li>• Law Number 5 of 1960 on Basic Agrarian Principles</li> <li>• Law Number 5 of 1967 on Basic Forestry Law</li> <li>• Law Number 41 of 1999 on Basic Forestry Law</li> <li>• Law Number 26 of 2007 on Spatial Planning</li> </ul>

Institution	Documents Reviewed
	<ul style="list-style-type: none"> <li>• Law Number 32 of 2009 on Environmental Protection and Management</li> <li>• Law Number 39 of 2014 on Plantation</li> </ul>
Ministry of Agriculture	<ul style="list-style-type: none"> <li>• Decree of the Ministry of Agriculture Number 786/Kpts/KB.120/10/96 on the Plantation Business Licensing</li> <li>• Regulation of the Ministry of Agriculture Number 26/Permentan/OT.140/2/2007 on Guidelines for Licensing of Plantations</li> <li>• Regulation of the Minister Agriculture Number 19/Permentan/OT.140/3/2011 on Guidelines for Indonesian Sustainable Palm Oil (ISPO)</li> <li>• Decree of the Minister of Agriculture Number 4235/Kpts/OT.160/10/2011 on Membership of Indonesian Sustainable Palm Oil Commission.</li> <li>• Tree Crop Estate Statistics of Indonesia 2014-2016: Palm Oil</li> <li>• Regulation of the Minister of Agriculture Number 11/Permentan/OT.140/3/2015 on Indonesian Sustainable Palm Oil Certification System (ISPO)</li> </ul>
Ministry of Environment and Forestry	<ul style="list-style-type: none"> <li>• Ministry of Environment and Forestry Statistics 2014</li> </ul>
Greenpeace	<ul style="list-style-type: none"> <li>• Burning Up Borneo (2008) (report)</li> <li>• Licence to Kill (2013) (report)</li> </ul>
DMSI, GAPKI, APKASINDO, ASPEKPIR, GIMNI, AIMMI, APOLIN, APROBI, GPPI, MAKSI, and PASPI	<ul style="list-style-type: none"> <li>• Indonesia's palm oil industry 2015-2020 and the necessary policies for the new government.</li> </ul>
GAPKI	<ul style="list-style-type: none"> <li>• Industri minyak sawit Indonesia menuju 100 tahun NKRI: Membangun kemandirian ekonomi, energi dan pangan secara berkelanjutan (2014)</li> </ul>
Indonesia Palm Oil Customer Care (IPOCC)	<ul style="list-style-type: none"> <li>• Strategy Paper (2014)</li> <li>• Indonesia Sustainable Palm Oil Handbook 2014</li> </ul>

#### 4.3.2 Semi-structured interviews

As primary data, semi-structured interviews were the key means of gathering data on stakeholder perspectives in relation to palm oil governance schemes and for understanding the impacts of these schemes on the ground. The semi-structured interview was chosen as this research method works very well with people accustomed to efficient use of their time, such as bureaucrats and elite members of a community (Bernard, 2013). Moreover, interviews help the researcher “in

understanding the perceptions of participants or learning how participants come to attach certain meanings to phenomena or events” (Berg & Lune, 2012, p. 115). Therefore, this approach was deemed the most efficient and effective means of gathering information from palm oil stakeholders.

There are several stakeholders involved in Indonesia’s palm oil industry, such as government agencies, palm oil producers and processors, palm oil related associations and organisations, environmental and social NGOs, and smallholders and indigenous people. To simplify analysis of broad range of stakeholders in the industry, this research clustered stakeholders in Indonesia’s palm oil industry into four different groups: 1) government as regulatory agency 2) business (producers, processors and associations), 3) civil society (such as communities and environmental and social NGOs) and 4) others (including palm oil related organisations and experts). During twelve weeks of field work, 20 interviews were conducted with people of different backgrounds from each of the different groups mentioned above.

Selection of stakeholder respondents used a purposive sampling method. According to Oliver (2006, p. 245), purposive sampling is:

A form of non-probability sampling in which decisions regarding the individuals to be included in the sample are taken by the researcher, based upon a variety of criteria which may include specialist knowledge of the research issue, or capacity and willingness to participate in the research.

The rationale for using a purposive sampling strategy, as Robinson (2013, p. 32) further explains, is that “the researcher assumes that certain categories of individuals may have a unique, different or important perspective on the phenomenon in question and their presence in the sample should be ensured”.

Respondents were identified and selected using several methods. First, through the existing network established during the researcher’s tenure as a government official while working on technical trade barrier (TBT) issues. This network was helpful especially when selecting respondents among government and business sectors. Second, through secondary sources, such as reports, articles in newspapers and magazines and websites. These sources were helpful mainly for selecting NGO respondents. Third, through suggestion and recommendation from research supervisors and research colleagues. Finally, snowball sampling was adopted to obtain subsequent respondents considered relevant to the research based on information obtained from earlier interviewees. As a result, the quantity of respondents interviewed during fieldwork was expanded. All potential respondents within stakeholder groups were listed and contacted by direct approach (telephone,

SMS or email). In this research, all respondents were specifically selected for their knowledge or authority in palm oil, social and environmental and/or palm oil governance related issues.

Interviews were guided by set of topic questions, mainly related to issues surrounding palm oil sustainability and existing governance schemes (RSPO and ISPO). All respondents were asked similar, comparable questions. The objective was to seek opinions from different stakeholders on the same issues. To illustrate, all respondents interviewed were asked questions relating to:

- The emergence of RSPO and ISPO, including for example: 1) the interviewee's role and involvement in discussion and creation of RSPO and ISPO, 2) the interviewee's understanding of the reason(s) behind the decision to establish the RSPO and ISPO, and 3) the interviewee's understanding of the impact of RSPO and ISPO on palm oil production, particularly in Indonesia.
- Sustainable development and sustainability, including for example: 1) how the interviewee defines and understands sustainability, 2) the interviewee's view on how best to achieve sustainability in palm oil sector, and 3) his/her opinion on the feasibility of achieving sustainable palm oil in Indonesia.
- The implementation of existing palm oil standard, including for example: 1) the implementation of those standard so far, 2) challenges faced by the two standards, and 3) things to be improved upon to achieve successful palm oil governance.

There were some occasions where new and additional questions emerged during the conversation, depending on the respondent. Follow up inquiries were made where necessary to get more information by sending follow up emails to particular respondents.

Semi-structured interviews were taped and conducted in Bahasa Indonesia. Tapes were then transcribed and some quotes were translated into English and are interspersed throughout this thesis to illustrate different stakeholder positions on issues discussed. On average, interviews lasted between one to three hours, depending on respondent enthusiasm and time allocated by the respondent. Interviews were conducted during the period of January to March 2015 in Jakarta, Bogor (West Java) and Seruyan (Central Kalimantan). A summary of respondents interviewed is presented in Table 4-3.

Table 4-3 List of respondents

Category	Organisation	Position
Government	Ministry of Trade	Director
	Ministry of Agriculture	Head of Sub-Directorate
	Ministry of Environmental and Forestry	Head of Research and Development
Business	PT SMART Tbk	Corporate Affairs Director
	PT Mitrakarya Agroindo	Cooperation Coordinator
	Indonesian Palm Oil Board (DMSI)	Chairman
	Indonesia Palm Oil Association (GAPKI)	Executive Director
Civil society organisations	Sawit Watch	Executive Director
	Indonesian Oil Palm Smallholders Union (SPKS)	Executive Director
	Greenpeace Indonesia	Forest Campaigner
	Forest Peoples Programme	Policy Advisor
	World Agroforestry Centre (ICRAF)	Researcher
	Transformasi Untuk Keadilan Indonesia (TuKI)	Executive Director
	Rainforest Action Network	Forest Campaign Director
	Worldwide Fund for Nature (WWF) Indonesia	Footprint Campaign Coordinator
Other	Private individual	Former Vice Minister of Agriculture and Vice Minister of Trade
	Indonesia Sustainable Palm Oil (ISPO)	Executive Chairman
	Roundtable on Sustainable Palm Oil (RSPO) Indonesia	Director
	Indonesia Palm Oil Customer Care (IPOCC)	Executive Director
	Forum Pengembangan Perkebunan Strategis Berkelanjutan (FP2SB)	Executive Director

#### 4.3.3 Site observations

Observation is a useful method of data collection (Creswell, 2014). For the purposes of this thesis, observation took the form of site visits to oil palm plantations. According to Creswell (2014, p. 190),

observation is a method of collecting data where the “researcher takes field notes on the behaviour and activities of individuals at the research site”. In this research, non-participant observation was chosen, where the role of the researcher is that of an outsider, rather than becoming part of the group being observed (Hall, 2008). Using this method, producers and processors were observed for their responses to palm oil governance in practice. Subjects were observed in relation to the manner in which they undertook the steps required to meet particular standards and conditions.

Observations were conducted over four days, from 24<sup>th</sup> to 27<sup>th</sup> of March 2015 inclusive. The primary objective was to study crude palm oil (CPO) production processes, an operation considered sustainable under the RSPO and ISPO. PT Mitrakarya Agroindo (PT MKA), as object of observation, is located in Seruyan Tengah and Hanau Sub-Districts, Seruyan District, Central Kalimantan Province (see Figure 4-1). It was selected because:

1. PT SMART Tbk, as PT MKA parent company, is one of the largest Indonesian integrated palm oil-based companies with a vast area of oil palm plantation across Indonesia (approximately 138,800 ha). Particularly in Central Kalimantan, the company’s plantations cover approximately 23,000 ha of *Hak Guna Usaha* (Cultivation Right on Land), of which 17,000 ha has been planted with oil palm.
2. They have received RSPO and ISPO certification as well as International Sustainability and Carbon Certification (ISCC).

Observation covered the main production activities, including opening of a new plantation area and planting process (day 1), nursery (day 2), pest and plant disease control, maintenance of immature plants and harvesting processes (day 3), and CPO production processes at the plantation’s mills (day 4). During observations, the researcher was accompanied by managers of the relevant production activity. In between observation times, the researcher had the opportunity to conduct an interview with the company’s partnership coordinator. Discussion during this interview explored the process of establishing a partnership between the company and local farmers.



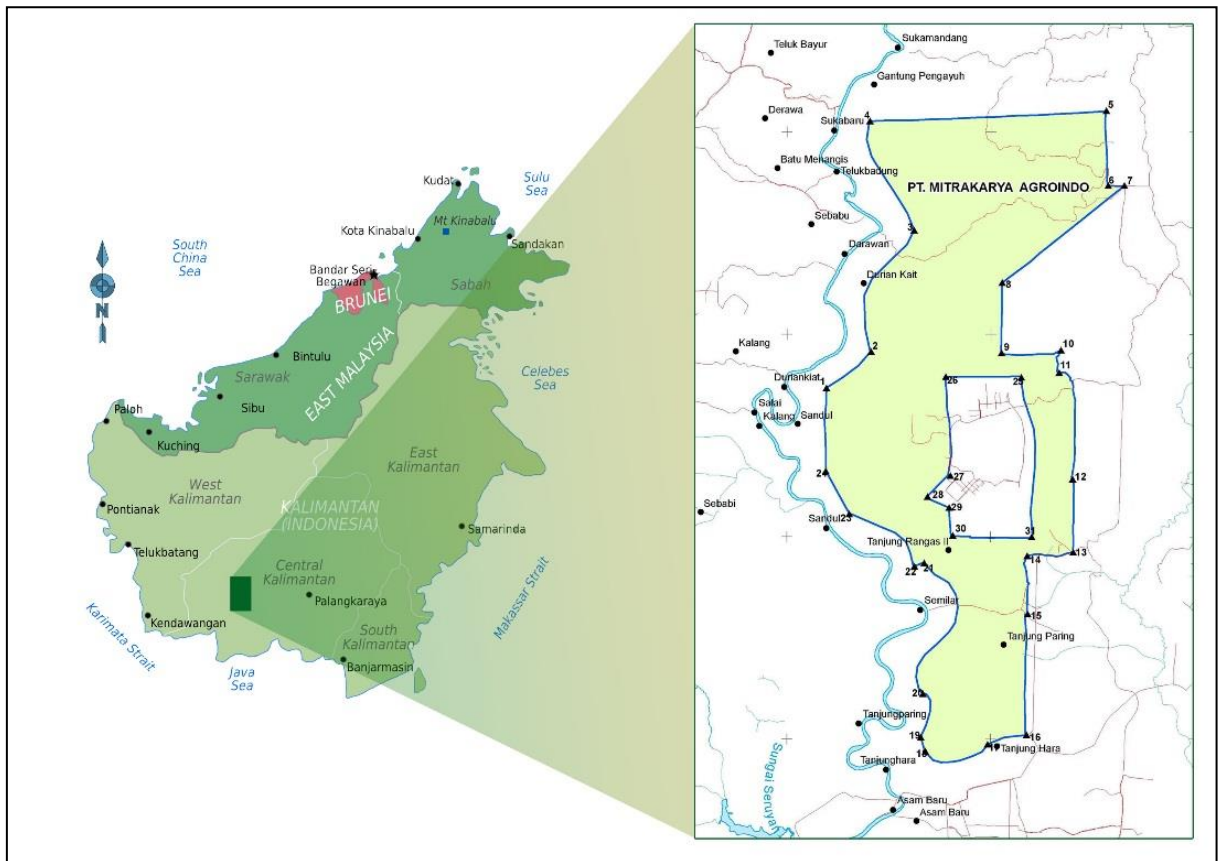


Figure 4-1 Map of PT Mitrakarya Agroindo in Central Kalimantan

Source: [http://www.rspo.org/file/4C\(r\)%20-%20Summary%20Report%20of%20SEIA%20and%20HCV%20Assessments%20PT%20Mitrakarya%20Agroindo.pdf](http://www.rspo.org/file/4C(r)%20-%20Summary%20Report%20of%20SEIA%20and%20HCV%20Assessments%20PT%20Mitrakarya%20Agroindo.pdf)

#### 4.4 Data analysis

Three different qualitative data analysis methods were employed in this research, namely, content analysis, stakeholder analysis and discourse analysis. Each has particular strengths for answering the research questions.

##### 4.4.1 Content analysis

Hsieh and Shannon (2005, p. 1278) define content analysis in qualitative research as “a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns”. Hsieh and Shannon (2005) also identify three distinct approaches of qualitative content analysis: conventional, directed and summative. For the purpose of this research, content analysis adopted a directed approach. Under this approach, as Hsieh and Shannon (2005) explain, researchers start by identifying key concepts as initial coding categories using existing theory or prior research. The theory then helps determine operational definitions for each category. Data subjected to this method of content analysis was

sourced from documents, interviews and site observation notes. As suggested by Berg and Lune (2012), interviews and observational data were transcribed into written text for analysis.

The framework for content analysis in this study was constructed by first identifying several initial key concepts and themes deemed relevant to the topic, for example certification schemes, sustainable development, sustainability, free trade and interest group politics. During the research process, some new concepts and themes emerged with the discovery of new materials by the researcher, such as environmental governance, legal pluralism, corporatism, sovereignty, environmental politics, power and power relations. Data collected were examined to identify information relevant to the concepts and themes mentioned above as a coding process. After coding, where all data was categorised into themes, a review was conducted to ensure all information was categorised systematically. This process was crucial as some information can fall into more than one coding category. Data falling into more than one category was dealt with by double coding or, in a few cases, by revising categories. The final step in content analysis is interpreting the information. The process of interpretation involved exploring word or phrase usage to identify the range of meanings that a word or phrase has in normal use (Hsieh & Shannon, 2005).

#### 4.4.2 Stakeholder analysis

Although the stakeholder analysis as a method is rooted in the field of business and organisational management (see for example Friedman & Miles, 2006; Phillips, 2003), it has been applied in various other fields such as economics, political science and environmental science. The World Bank (2001) in their website defines stakeholder analysis as “a methodology used to facilitate institutional and policy reform processes by accounting for and often incorporating the needs of those who have a ‘stake’ or an interest in the reforms under consideration”.

In this research, a conventional approach to stakeholder analysis was adopted to include an appraisal of power and influence. Stakeholder analysis was used firstly to identify key actors in the Indonesian palm oil industry. Secondly, stakeholder analysis helped assess and identify stakeholder interests and how these interests are articulated in influencing policies. Finally, stakeholder analysis helped explore complex interrelations among a wide range of actors in the Indonesian palm oil industry, including conflicts and trade-offs among actors. More detailed discussion of stakeholder analysis is presented in Chapter 5: Stakeholders in the Indonesian palm oil industry.

#### 4.4.3 Discourse analysis

In general, discourse analysis refers to language or the study of language (Berg & Lune, 2012; Laffey & Weldes, 2004). Berg and Lune (2012, p. 364) explain that in social research “the interesting aspect of this discourse is not merely what is said, or which words are used, but the social construction and

apprehension of meanings thus created through this discourse". Thus, discourse analysis involves systematic study of texts to find evidence of their meaning and how this meaning is interpreted in social reality (Hardy, Harley & Phillips, 2004).

According to Dunn and Neumann (2016), discourse analysis usually focuses on continuity, change or rupture, and the choice is determined by research questions. In this research, examination of how politics of environmental governance affected implementation of RSPO and ISPO standards in Indonesia's palm oil industry investigated the continuity and changes in political discourse, as well as emergence of significant ruptures. Hopf (2004, p. 31) argues that "discourse analysis assumes that language is a medium within which prevailing power relations are articulated", which makes this method of analysis relevant to this study. Thus, discourse analysis assisted the researcher to "decipher the underlying meaning, deep assumptions, and relations of power that are supported by and constructed through a discourse" (Crawford, 2004, p. 23).

Discourse analysis was adopted in this study to understand how several themes, such as sustainability, environmental governance, sovereignty and power relations, are deployed by a range of different stakeholders in the Indonesian palm oil sector which, in turn, affects debates around palm oil sustainability and palm oil governance schemes. Procedures in conducting discourse analysis are similar to those involved in content analysis. The initial step was to prepare materials for analysis. The next step was to code the materials, following by a process of identifying, locating and examining discursive statements under investigation. The final step was to interpret the data obtained from this process.

#### 4.5 Research limitations and challenges of fieldwork

Several challenges were encountered during fieldwork. First, the researcher's position as a government employee potentially presented constraint in the way that some interviewees, especially from government and business sectors, may have felt compelled to provide positive, 'party line' responses. Moreover, questions may arise about researcher objectivity, as status as a representative of the Indonesian Ministry of Trade inherently imparts a particular bias in the conduct of this research.

Second, in terms of the interview process, several potential respondents did not respond to interview requests. Thus, the researcher had to establish contact with other respondents occupying similar positions and able to provide similar information. Due to the wide array of stakeholders in Indonesia's palm oil industry and to time limitations, this research encountered difficulty in covering all stakeholder groups during the interview process. As such, some respondents from particular

stakeholder groups also represent other stakeholder groups or individuals. For instance, interviews with SPKS and Sawit Watch serve as proxy voices for oil palm smallholders and plantation workers.

Finally, contradictions and gaps in information provided by stakeholders also posed some challenges. Sometimes these contradictions proved informative, shedding light on particular bias or interests of agencies or individuals providing the information. In other cases, contradictions and gaps in knowledge were simply confusing, as in the case of widely varying figures on plantation acreage or CPO production. For the sake of consistency, this thesis applied production and cultivation area figures obtained from the Indonesian Ministries of Trade and Agriculture.

## 5 STAKEHOLDERS IN THE INDONESIAN PALM OIL INDUSTRY

### 5.1 Introduction

This chapter identifies the various stakeholders within the Indonesian palm oil industry and analyses relationships and interactions among them. The discussion begins with a presentation of stakeholder analysis as a tool to interrogate and understand Indonesia's palm oil stakeholders and stakeholder analysis' relevance to this research. The chapter then moves to a discussion of stakeholders in Indonesia's palm oil industry, including key actors, the nature of their interests and character of their influence. The final section of this chapter explores dynamic relationships amongst Indonesia's palm oil stakeholders.

### 5.2 Stakeholder analysis

#### 5.2.1 What is a stakeholder and what is stakeholder analysis?

##### *Stakeholder*

Friedman and Miles (2006) identify 55 definitions of the term 'stakeholder' definition is from various authors between 1963 and 2003. One of the most cited stakeholder definitions of is from Freeman's (1984, p. 46) seminal work, *Strategic Management: A Stakeholder Approach*, which defines stakeholder as "any group or individual who can affect or is affected by the achievement of the organisation's objective".

Understanding the interests of stakeholders is important to this study. Several authors include the term 'interest' in their definition of stakeholder. For instance, Savage, Nix, Whitehead and Blair (1991, p. 61) define stakeholder as "those individuals, groups, and other organisations who have an interest in the actions of an organisation and who have the ability to influence it". Another definition, from Schmeer (1999, p. 2-3), describes stakeholder, or interested party, as "actors (persons or organisations) with a vested interest in the policy being promoted".

The definition of palm oil stakeholder applied in this thesis is: individuals or organisations directly involved in, having an interest in, or impacted by the production, processing, marketing or promotion of palm oil and palm oil products, and/or attempting to influence how these activities are carried out.

##### *Stakeholder analysis*

Following origins in business and organisational management disciplines, stakeholder analysis was later adapted to a variety of disciplines including international development, nature conservation

and natural resource management. According to Grimble and Wellard (1997, p. 175), stakeholder analysis is:

A holistic approach or procedure for gaining an understanding of a system, and assessing the impact of changes to that system, by means of identifying the key actors or stakeholders and assessing their respective interests in the system.

Such an approach or procedure – gathering and analysing qualitative information – begins with systematic identification of whose interests should be taken into account (Schmeer, 1999).

Reed et al. (2009, p. 1933) provides a similar, but more elaborate, definition of stakeholder analysis as a process that:

1. defines aspects of a social and natural phenomenon affected by a decision or action,
2. identifies individuals, groups and organisations who are affected by or can affect those parts of the phenomenon (including non-human and non-living entities and future generations), and
3. prioritises these individuals and groups for involvement in the decision-making process.

Stakeholder analysis has evolved to become a powerful tool for policy analysis, including in natural resource policy and programme development, capable of incorporating multiple interests and objectives (Grimble & Wellard, 1997). It can be a useful tool for policy design, appraisal and evaluation. Stakeholder analysis can help draw out different sectoral interests, address conflict and cooperation between stakeholders and map out potential contradictions.

#### 5.2.2 Relevance to the research

Rapid development of the palm oil industry in recent decades has caused extreme and far-reaching changes in ecological, social and political landscapes at various scales, from the household level to the global environment and economy. Understanding the roles, logics, interests and relative power of different key stakeholder groups is critical to understanding how the industry functions and affects various entities and groups. This understanding also facilitates assessment of how pressure is applied to alter or ameliorate particular issues or problems, as well as how key industry players respond to such pressure.

Stakeholder analysis was appropriate for this research as it provides a template to map out key stakeholders (the 'who'), to comprehend their different interests and the relationships between them (the 'what'), and processes of achieving their various interests (the 'how'). Thus, in this study, stakeholder analysis provided a basis for understanding the politics of environmental certification of palm oil in Indonesia.

### 5.2.3 Applying stakeholder analysis

The following procedure was applied to undertake stakeholder analysis in this research:

1. Stakeholder identification;
2. Investigation of stakeholder interests and influence;
3. Identification of relationship patterns and dynamics between stakeholders.

#### *Stakeholder identification*

Stakeholder identification generally begins with a document and literature review. Reed et al. (2009, p. 1936) explains that:

Where there is considerable documentary evidence or where analysts have an intimate knowledge of the individuals and groups with a stake in the phenomenon under investigation, the stakeholder analysis can be conducted without the active participation of the stakeholders themselves.

However, as Reed et al. (2009) further explain, direct involvement may be required in the case where it is unclear which information are most applicable to the research. In this manner, it is important to carefully identify the party who holds a stake in the phenomenon under investigation. The palm oil industry in Indonesia is well-researched, and evidence of interests and influence of stakeholders is available in numerous works, such as books, scientific articles, news reports, publications from the organisations themselves, as well as popular and public media (including internet sources). Thus, the identification process was done without much problem, although in the process additional stakeholders are sometimes included. However, it is often difficult to embrace all stakeholders, and as such after the initial process of identifying stakeholders, the list of stakeholders was streamlined, and only key stakeholders deemed essential to stakeholder analysis were included.

#### *Investigating stakeholder interest and influence*

Following identification of key stakeholders, stakeholder interests and influence were examined. Information on stakeholder interests and influence was collected through document and literature review, followed by semi-structured interviews. Along with investigating stakeholder interests, at this research stage, the degree of influence and power held by key stakeholders was also scrutinised. In the context of this study, 'influence' refers to relative power of a particular stakeholder, deriving from the nature of a stakeholders' organisation, and/or position in relation to other stakeholders (Overseas Development Administration, 1995).

Assessing the influence of each stakeholder was challenging as the process involves a degree of subjectivity. Therefore, influence was analysed in this research by triangulating perceptions based

information collected from different sources (such as interviews, documents and observation) to measure relative power and influence of various palm oil stakeholders in relation to other stakeholders.

#### *Identifying patterns of relationships between stakeholders*

Interactions among stakeholders are a function of varying degrees of stakeholder power and influence, and can take various forms including conflict, co-operation, commensalism and inter-dependence (Grimble, 1998). According to Reed et al. (2009), there are three ways to investigate interactions and relationships among stakeholders:

1. Actor-linkage matrices which help determine types of relationships, such as conflict, co-operation or complementarity,
2. Social network analysis which helps determine patterns of communication, trust and influence between actors in social networks, and
3. Knowledge mapping which helps investigate flows of information among actors.

Relationships between stakeholders in the Indonesian palm oil industry are complex and dynamic, and evolve over time. For the purpose of this research, the complexity and dynamics of such interactions was analysed using an actor-linkage matrix due to the simplicity and flexibility of the matrix approach. Thus, stakeholders were entered into rows and columns of a table and relationships between them described using codes (see Figure 5-1). Information about relationships between stakeholders was obtained from document and literature studies, as well as semi-structured interviews.



Stakeholders	IDB	Private banks/financial institution	National Government	Regional Government	Large-scale plantation	Smallholder	GAPKI/DMSI	International Manufacturer/Retailer	Indigenous/forest-dependent people	ENGO/SNGO	Consumer group	APKASINDO	SPKS	Pro-palm oil NGO
IDB														
Private banks/financial institution														
National Government	✓													
Regional Government			✓ x											
Large-scale plantation	✓	✓	✓ x	✓										
Smallholder		✓	x	✓ x	✓ x									
GAPKI/DMSI			✓ x	✓	✓	✓								
International Manufacturer/Retailer					✓									
Indigenous/forest-dependent people			✓ x	✓ x	x	x								
ENGO/SNGO	✓ x	x	x	x	✓ x	✓	x	✓ x	✓					
Consumer group					x			✓ x		✓				
APKASINDO			✓	✓	✓	✓				x				
SPKS			x	✓	✓ x	✓	x		✓	✓		x		
Pro-palm oil NGO			✓		✓	✓								

Cooperation/collaborative: ✓ Conflicts: x

Figure 5-1 Type of relationships between Indonesia's palm oil stakeholders

### 5.3 Stakeholders in the Indonesian palm oil industry

Who are the stakeholders in Indonesia's palm oil sector? The answer to this question produces a long list. The historical overview of Indonesia's palm oil industry presented in Chapter 2 chronicled the evolution of stakeholders and actors involved in the palm oil sector since the industry emerged in Indonesia in the early 1900s. As the industry grew rapidly over recent decades, industry structure, problems and controversies have become complex. Consequently, this complexity requires involvement of many institutions beyond the parties directly involved in the palm oil supply chain.

The RSPO classifies palm oil stakeholders into seven groups: producers (growers), processors or traders, consumer goods manufacturers, retailers, banks and investors, environmental or nature conservation NGOs and social or developmental NGOs. However, national and regional government

agencies also play an important role in Indonesia's palm oil industry, mainly due to their multiple roles as regulator, enforcement authority and producer.

This research employed a slightly different set of stakeholder categories to the RSPO stakeholder groups above. As in the RSPO stakeholder classification, this research identified seven main stakeholder groups in Indonesia's palm oil industry, namely, financial institutions, regulatory (government) agencies, growers, industry associations, traders or processors, forest-dependent and indigenous community, and NGOs and advocacy groups. This seven-group categorisation is preferred to the RSPO classification system for the Indonesian context because it includes several stakeholders, absent from the RSPO groupings, relevant according to the definition of palm oil stakeholder above. Each stakeholder group identified in this research is described next.

### 5.3.1 Financial institutions

The financial institution stakeholder group encompasses several international and domestic financial institutions, such as international financial agencies, government, as well as private banks and funds.

#### *International development banks*

The basic purpose of international development banks, such as the World Bank (World Bank, 2017), Asian Development Bank (Asian Development Bank, 2017) and African Development Bank (African Development Bank Group, 2017), is to promote free market-based social and economic development in developing and least developed countries through providing loans, technical assistance, grants and a wide range of investments. Although international development banks are similar to private banks, in terms of providing loans and investments, their activities are politically motivated. As a consequence, there are certain requirements to be met and particular types of companies in which they prepared to invest (van Gelder, 2001).

In the Indonesian palm oil context, the World Bank<sup>15</sup> has been involved in palm oil sector development for over fifty years, particularly the International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFC). World Bank involvement in the global palm oil industry began in 1965. As shown in Table 5.1 below, the World Bank has invested almost US\$2 billion in more than 45 projects related to the palm oil sector in at least twelve developing and least developed countries in Africa, Latin America and Southeast Asia, with Indonesia the largest recipient. World Bank loans to Indonesia for oil palm development reached nearly US\$620

---

<sup>15</sup> The World Bank consists of five specialised institutions: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID) (Peet, 2003).

million, or more than a third of the Bank's total lending for the sector (World Bank/International Finance Corporation, 2011).

In the late 1960s, the World Bank began facilitating commercialisation of the Indonesian oil palm sector, and by 1983 there were eight major projects financed in Indonesia (World Bank/International Finance Corporation, 2011). Throughout this period, the World Bank was deeply invested in the developmentalist New Order government's focus on developing the agricultural and forestry sectors. As mentioned in Chapter 2, in 1978/79 the World Bank provided significant support to the PIR/NES (*Perkebunan Inti Rakyat* or Nucleus Estate and Smallholder Scheme) introduced by the Indonesian government. This support shows that World Bank's engagement in Indonesia's palm oil sector was not just a business case to generate revenue. Instead, it was envisioned by the World Bank and its partners as part of a broader strategy of poverty reduction, job creation and rural development.

Table 5-1 World Bank investment in palm oil sector, 1965-2011

Countries	Total committed amount (million US\$)
Indonesia	618.8
Nigeria	451.5
Malaysia	383.2
Cameroon	118.4
Papua New Guinea	100.6
Cote d'Ivoire	53.1
Ghana	43.6
Burundi	35
Panama	19
Liberia	12
Congo, Democratic Republic of	9
Benin	4.6
<b>Total</b>	<b>1,848.8</b>

Source: World Bank/International Finance Corporation (2011, p. 55)

Meanwhile, the International Finance Corporation (IFC), an institution of the World Bank focusing exclusively on private sector lending in developing countries, has played an important role in palm oil sector development. Whilst World Bank institutions share common goals, such as reduce poverty as and support development, IFC investment is intended to promote exports and improve the climate for investment (Chidley, 2005). Since 1976, the IFC has financed 26 palm oil related projects (plantations, refining and trading) in 11 countries, as shown in Table 5-2, worth US\$340.4 million (World Bank/IFC, 2011). Starting with small scale processing and oil palm cultivation in Africa and Brazil in 1970s and 1980s, the IFC shifted investment focus in the 1990s to larger plantations in Indonesia, specifically in the provinces of Bengkulu, West and South Kalimantan, and North and South Sumatra. In the early 2000s, the IFC again shifted investment towards the palm oil supply

chain, for example by providing short-term trade finance support for Singapore-based agribusiness giant Wilmar International (World Bank/IFC, 2011).

Table 5-2 IFC investment in palm oil sector, 1976-2009

Countries	Total committed amount (million US\$)
Indonesia	168.5
Ukraine	62.5
Honduras	30
Nicaragua	25
Ghana	12.5
Brazil	11.4
Philippines	11
Cote d'Ivoire	10.5
Thailand	4.7
Cameroon	3.3
Mexico	1
<b>Total</b>	<b>340.4</b>

Source: World Bank/ International Finance Corporation (2011, p. 58)

During the 1980s, the World Bank exercised considerable influence over development policy and practice in many developing and post-communist countries. As Peet (2003) describes, much of this influence – or power – was derived from policy conditions of structural adjustment programs and the World Bank's traditional 'investment' or project lending. Initially, loans were provided for the purpose of helping physical infrastructure projects and engineering services, assuming these would increase productivity and lead to economic growth. Since the late 1980s, the World Bank has shifted focus to social development and public policy infrastructure that facilitates private sector activity, under the assumption that these activities help alleviate poverty (Peet, 2003). Peet (2003) explains that the World Bank's extensive power comes from its capability to raise huge amounts of loan capital and the ability to accomplish projects where other agencies are unable to do so.

International development banks may be responsive to public opinion. In the mid-1980s, the World Bank came under intense public pressure and growing criticism from NGOs and environmental groups due to loans made to numerous projects that caused large-scale environmental damage and disruption to resource-dependent and indigenous communities. Uncharacteristically, the World Bank was receptive to this criticism and responded by modifying its policies and loan practices to introduce new environmental and social justice standards for their loans (Peet, 2003).

In the case of palm oil, despite years of international concern and criticism, it was not until September 2009 that the World Bank/IFC decided to suspend new investment in palm oil projects in Indonesia. This decision was a response to an appeal by a global coalition of 19 environmental NGOs (Wroughton, 2009). However, just 18 months later, in April 2011, the World Bank lifted the ban and

re-engaged with the palm oil sector (World Bank, 2011). As explained in The World Bank Group Framework and IFC Strategy for Engagement in the Palm Oil Sector (World Bank/International Finance Corporation, 2011, p. 27), there four pillars set the terms and conditions of this re-engagement:

1. Improved policy and regulatory environment, mainly relating to better implementation of land administration systems, land use planning, environmental impact assessment and regulations, labour regulations and conflict resolution;
2. Sustainable private sector investment, i.e., private sector partners must ensure investment in the sector generates economic benefits in an environmentally and socially sustainable manner;
3. Benefit sharing with smallholders and communities as palm oil can be significant contributor to livelihood improvement and poverty reduction in many rural communities; and
4. Codes of sustainable practice, including development, adoption and implementation of commodity specific sustainability standards, such as certification systems.

#### *Commercial banks and institutional investors*

Rapid development of oil palm plantations in Indonesia would not be possible without strong support from commercial banks and institutional investors providing oil palm companies a primary source of funding. Most large oil palm producers in Indonesia rely on international and domestic banks and investors to finance plantation expansions. According to Gregory (2016), commercial banks provide several financial services, such as loans, helping find investors in financial markets (underwriting) and investment in shares and bonds. A 2014 report prepared by *Transformasi untuk Keadilan (TUK) Indonesia* identifies 20 foreign and local banks that have provided loans for plantation expansion in Indonesia. The largest lenders for oil palm expansion are HSBC (UK), ABN-AMRO and Rabobank (Holland), OCBC (Singapore), CIMB (Malaysia), three Indonesian banks: Bank Mandiri, Bank Negara Indonesia (BNI) and Bank Rakyat Indonesia (BRI) and four Australian banks: ANZ, Commonwealth Bank, Westpac Banking Corp and National Australia Bank. During the five-year period from 2009 to 2014, total loans from these banks to 25 palm oil conglomerates amounted to more than US\$15 billion (Figure 5-2).

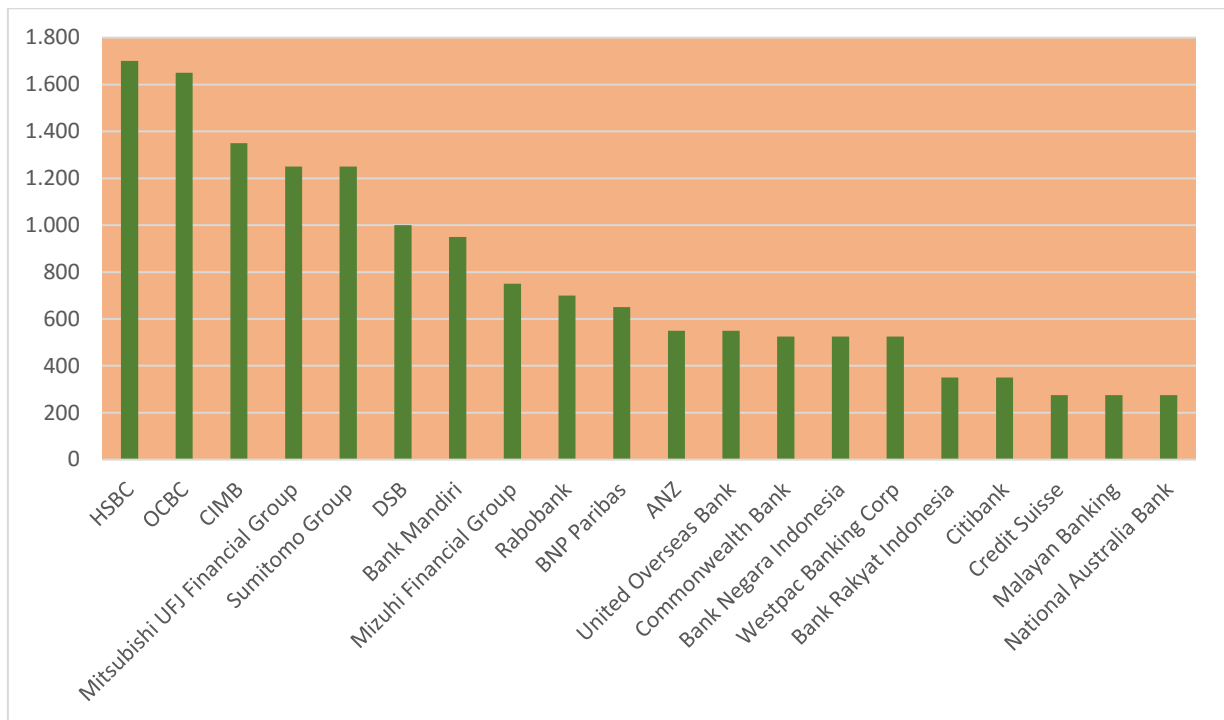


Figure 5-2 Total loans for 25 largest palm oil companies in Indonesia, 2009-2014 (US\$ million)

Source: TuK Indonesia (2014, p. 27)

Along with commercial banks, institutional investors provide significant capital contributions to the palm oil industry. Most large-scale plantation companies are publicly traded. Several institutional investors hold significant percentages of these companies' shares, including Schroders (UK), BlackRock (US), Van Eck Associates (US), Fidelity (US), Temasek Holdings (Singapore), AP-Fonden (Sweden) and Malaysia's Employees Provident Fund (Shibao, 2015b).

For commercial banks and institutional investors, the decision to invest in palm oil financing is business driven. As creditors and shareholders, they seek investments which offer an attractive rate of growth and sustainable return as offered by the palm oil industry. The demand for palm oil continues to grow annually and the ability of palm oil companies to meet their financial obligations is reliable (notwithstanding events following the Asian financial crisis of 2007/08).<sup>16</sup>

As the primary purpose is to maximise profit, commercial banks and institutional investors have been less responsive to environmental and social sustainability concerns, as compared to international development banks. Many financial institutions that have supported the palm oil industry have shown a lack of robust policies to avoid financing companies with high risk of environmentally damaging activities. A Worldwide Fund for Nature (2015) report of financier environmental and social governance (ESG) in Singapore, Indonesia and Malaysia found that most Southeast Asian banks

<sup>16</sup> Discussion with Bank Mandiri staff on 7 September 2016.

and investors do not include ESG as a consideration when assessing potential clients. Interestingly, Worldwide Fund for Nature (2015) found only one institution that required clients in the forest commodity sector to adopt minimum ESG standards: Bank Negara Indonesia (BNI). Overall, Singaporean banks were most lax in terms of ESG standards (Worldwide Fund for Nature, 2015).

The Forest and Finance website (<http://ww8.forestandfinance.org/>) lists 27 banks and investors that are most highly invested in the forest-risk sector, along with an assessment of their environmental and social policies and performance. For example, HSBC, as the largest palm oil financier, is signatory to the main international covenants relevant to forestry and land issues and have a publicly available forestry sector safeguard policy. However, in terms of implementation of environmental and social standards, HSBC is considered insufficiently assertive in prohibiting operations in primary forest and enforcing requirement for proof of Free, Prior and Informed Consent (FPIC) by indigenous communities from their clients. Two other large forest-risk sector financiers, OCBC and CIMB, are not signatory to any international covenants on sustainability, nor do they have relevant environmental and social safeguards. In contrast, the Dutch banks, Rabobank and ABN Amro, have acceptable commitment to environmental and social standards, are signatory to the main international sustainability covenants and have forest-specific safeguard policies.

Due to their role in financing oil palm plantation expansion and insufficient environmental and social commitments, commercial banks and institutional investors are targeted by many civil society organisations who accuse them of supporting deforestation and land grabbing (see for example Gregory, 2016; Oxfam Australia, 2014; van Gelder, 2001; Wakker, 2000). They have been subject to numerous protest campaigns and boycotts organised by NGOs with some success. International financial institutions have started to pay more attention to sustainability issues and many now include ESG requirements in the financing process.<sup>17</sup> Commercial banks and investors are increasingly pressing clients to comply with sustainability standards and some have suspended services to clients who have not followed RSPO principles. For example, in May 2014, Deutsche Bank divested from Bumitama Agri due to the company's repeated violations of government regulations (Shibao, 2015b).

### 5.3.2 Regulatory (government) agencies

Since achieving independence in 1945, the Indonesian Government has become deeply involved in the oil palm plantation sector. Article 33 of the Indonesian Constitution<sup>18</sup> explicitly places control of

---

<sup>17</sup> See for example HSCB Statement on Forestry and Palm Oil (HSBC, 2014).

<sup>18</sup> Paragraph two and three of Article 33 of the 1945 Indonesian Constitution are as follows:

- (2) Sectors of production which are important for the country and affect the life of the people shall be under the powers of the State.
- (3) The land, the waters, and the natural resources within shall be under the powers of the State and shall be used to the greatest benefit of the people.

important branches of production and natural resources in the hand of the State (Butt & Lindsey, 2008). In implementation Article 33, the government has authority to issue regulations regarding management of land, water and natural resources, including the agricultural and plantation sectors.

Over time, the Government of Indonesia came to realise the potential of the palm oil sector to grow the country's economy. Thus, policy relevant to the sector aims to develop palm oil industry as:

1. a major source of national revenue,
2. a tool of poverty eradication through economic improvement of farmers and local people,
3. a job creator, and
4. an engine of rural and regional development.

It is worth noting that the Indonesian government is a major palm oil stakeholder, not only as regulator, but as producer, investor and marketer. Within government apparatus, several ministries, non-ministerial agencies and regional governments have different (sometimes overlapping or conflicting) interests and levels of influence within Indonesia's palm oil industry.

#### *National government agencies*

There are at least nine national government ministries involved in the Indonesian palm oil industry. The Ministries of Agriculture, Environment and Forestry (formerly two separate ministries: Environment and Forestry) and Agrarian Affairs and Spatial Planning/National Land Agency each have authority in managing palm oil production and utilisation of forest land and resources. The Ministries of Industry, Energy and Mineral Resources and Trade are involved in managing and developing downstream industries and maintaining palm oil as an important source of national revenue. The Coordinating Ministry of Economic Affairs, and two other agencies, the Ministry of Manpower and Transmigration and the Investment Coordinating Board, also play significant roles in the palm oil sector. To analyse which of these ministries exerts most influence over the Indonesia's palm oil industry, this research examined the degree of authority exerted over the industry based on policies and regulations regarding palm oil.

As the agency with authority over agricultural affairs, the Ministry of Agriculture is the most dominant in the palm oil sector among these ministries. This ministry has issued numerous ministerial decrees regulating the plantation sector in general, and palm oil in particular, such as guidelines for licensing, oil palm cultivation and plantation business assessment.<sup>19</sup> Perhaps the most

---

<sup>19</sup> Examples of Minister of Agriculture Decree, such as: Minister of Agriculture Decree Number 98/Permentan/OT.140/9/2013 on Plantation Licensing Guidance, Minister of Agriculture Decree Number



comprehensive regulation relevant to the palm oil sector is the Guidelines for Indonesian Sustainable Palm Oil (ISPO).<sup>20</sup> This decree refers to all prior laws and regulations related to palm oil, with standards drawn from more than 137 regulations from several ministries.

The Ministry of Environment and Forestry plays an important role in the palm oil sector by regulating land usage and land use change in forest areas. This ministry has authority to issue permits for forest conversion, including for agricultural purposes.<sup>21</sup> The Ministry of Agriculture issues permits required to initiate a legal operation in a particular area, but the investor still needs to obtain a Cultivation Rights Title (*Hak Guna Usaha*/HGU) issued by the Ministry of Agrarian Affairs and Spatial Planning/ National Land Agency. Along with these governmental agencies, other ministries directly involved in palm oil production are concerned with downstream industries by implementing policies and programs intended to support development of the palm oil industry.

The Ministry of Industry has the task to maintain and develop palm oil-related domestic industries, while the Ministry of Energy and Mineral Resources is responsible for developing palm oil-based biofuel as an alternative source of energy. The Ministry of Trade is in charge of assuring international market access for Indonesian CPO and palm oil products. The Coordinating Ministry of Economic Affairs has the role of maintaining an economic and investment climate supportive for successful development of the palm oil sector, while the Investment Coordinating Board facilitates investment in the plantation sector. Finally, the Ministry of Manpower and Transmigration is in charge of recruitment, transportation and settlement of transmigrants in villages set up around plantations, as well as protection and welfare of workers in the oil palm plantation sector.

As the palm oil industry has become a national strategic industry (GAPKI, 2017), each ministry involved is obliged to have policies that support the government's palm oil agenda. Nevertheless, ministries have different interest and agendas and, as such, contestation among these ministries has often occurred. National policies legislated by various ministries in regard to the palm oil sector are often contradictory, creating complications for the sector and rendering the system vulnerable to corruption ("*Lisensi dan perizinan*," n.d), as discussed further in sub-section 5.4.1.

---

14/Permentan/PL.110/2/2009 on Guidelines for Oil Palm Cultivation on Peatland and Minister of Agriculture Decree Number 7/Permentan/OT.140/2/2009 on Guidelines for Plantation Business Assessment.

<sup>20</sup> Regulation of the Minister Agriculture Number 19/Permentan/OT.140/3/2011.

<sup>21</sup> Regulations related to oil palm plantations, namely, the Minister of Forestry Decree Number 33 of 2010 on Procedure for Releasing Production Forest Areas that be Converted and the Minister of Forestry Decree Number 31 of 2014 on Procedure for Granting and Extension of License for Timber Forest Products Utilisation (IUPHHK) in Production Forest.

### *Regional government*

As mentioned in Chapter 2, following the fall of President Suharto's regime in 1998, Indonesia entered the '*reformasi*' era, a period of sweeping political and economic transformation. The most important aspect of this transformation was decentralisation. As Barr, Resosudarmo, McCarthy & Dermawan (2006) explain, the process was mainly driven by demands from provincial and district government for greater autonomy and control over 'their' natural resources. The national government devolved considerable executive authority to regional governments in an effort to solve political problems that had plagued the latter years of Suharto's 32-year reign, also (ostensibly) to improve implementation of development. Consequently, natural resources management was characterised during the New Order era by strong central government control significantly devolved to regional government. Thus, Decentralisation Laws created new opportunities for district and provincial governments to become important actors in regional land management, including the plantation sector.

According to Presidential Decree Number 34 of 2003 on National Policy on Land Area, the central government in Indonesia delegates nine specific land management functions to regional government:

1. Granting location licenses;
2. Releasing land and facilitating acquisition development purposes;
3. Dispute resolution over arable land;
4. Resolution regarding indemnity and compensation of land for development purposes;
5. Determination of the subject and object of land redistribution and land restitution;
6. Determination and resolution of communal land;
7. Utilisation of wasteland;
8. Permission for land clearing; and
9. Land use planning.

Thus, decentralisation afforded regional government much greater authority over permit processes, including forest usage and plantation permits, authority that was previously handled largely by the National Land Agency. Regarding palm oil matters, this means that *Bupatis* were empowered to distribute licenses for commercial activities and hold executive power with respect to land rights and disputes relating to affairs within their jurisdictions. As such, Indonesia's decentralisation turned *Bupatis* into very powerful and influential players, according them considerable latitude in their understanding and usage of national policy and programs (Casson, 2001; Deike, 2015).

Under Indonesian taxation law, local government benefits from conversion of forest land for agricultural or other purposes, while revenues from state forest and forest land are collected directly by central government. For this reason, local governments have a powerful incentive to ensure oil palm plantation development goes ahead. Moreover, there are fewer effective checks and balances operating at regional and local government levels, hence local elites tend to exercise relatively greater power and influence (Fachrizal, Sirait & Wihardandi, 2014). For example, issuing of land use permits has become a major source of corruption and collusion between local government and palm oil operators. As Hadinaryanto (2014, para 17) reported:

It is increasingly evident that campaigns for regional elections require substantial funding to secure seats. The easiest way to obtain funding is to supply permits and concessions to companies. In this way, palm oil, mining, and timber industries have become 'ATM machines' for politicians.

The situation has cultivated a culture of corruption in which plantation permits are rewards given for preferential treatment received by local politicians from supporters and cronies. According to the Director of the Palung Foundation (Hadinaryanto, 2014), collusion between business and local government is not novel and the ones who generally suffer most from these practices are local communities, particularly forest-dependent peoples. As such, contrary to the premise of proponents who claimed that decentralised governance would result in improved environmental outcomes because decisions are made closer to the communities impacted by these decisions and policies, numerous empirical studies have shown that decentralisation is inherently environmentally destructive.<sup>22</sup>

### 5.3.3 Growers

In this research, the term 'grower' we mean all actors growing oil palm and producing CPO. For the purpose of this study, growers were distinguished into two main groups: large plantations, including private (national and foreign) and state-owned companies, and smallholders, which includes *plasma* farmers (small landholders or landless labourers who are granted small plots of oil palm and provided inputs by plantation companies/schemes, and who in turn process and market their produce through the parent company) and independent smallholders.

#### *Large-scale plantation growers*

Undoubtedly, large-scale plantations are the dominant stakeholders in Indonesia's palm oil industry. Over the past three decades, private plantation companies have increased their share from around

---

<sup>22</sup> See for example: Cabello and Farhat (2013), Casson (2001), Indrarto et al. (2012), McCarthy (2001a), McCarthy (2001b), McCarthy and Zen (2009), Obidzinski and Barr (2003), Soetarto, Sitorus and Napiri (2001).

30 per cent in 1980 to nearly 50 per cent, or 4.5 million ha of the country's total oil palm plantation area (PASPI, 2014). The share of private plantations has increased in proportion to state-owned companies, which traditionally dominated the sector in Indonesia.

Currently, there are hundreds of national and foreign companies operating in the Indonesian palm oil sector. According to Jiwan (2013), around 30 large palm oil groups in Indonesia directly control more than 1,000 subsidiaries. A 2014 report by TuK Indonesia lists 25 palm oil conglomerates in Indonesia, each controlling more than 10,000 ha of plantation area, as shown in Table 5-3. A majority of the largest palm oil companies are domestic. However, companies based in Singapore, Malaysia, Hong Kong and Britain also control major holdings in Indonesia.

Table 5-3 Major private oil palm plantation groups operating in Indonesia

No	Business group	Company	Country	Plantations area in 2013 (hectares)	CPO Production (tons)
1	Sinar Mas Group	Golden Agri-Resources	Indonesia	471,000	2,241
2	Salim Group	Indofood Agri Resources	Indonesia	326,136	810
3	Jardine Matheson Group	Astra Agro Lestari	Indonesia	281,378	1,539
4	Wilmar Group	Wilmar International	Singapore	212,181	1,848
5	Surya Dumai Group	First Resources	Indonesia	170,596	589
6	Darmex Agro Group	Darmex Agro	Indonesia	155,000	432
7	Raja Garuda Mas Group	Asian Agri	Indonesia	153,678	n/a
8	Harita Group	Bumitama Agri	Indonesia	149,683	523
9	Triputra Group	Triputra Agro Persada	Indonesia	133,907	281
10	Sampoerna Agro Group	Sampoerna Agro	Indonesia	120,225	271
11	Batu Kawan Group	Kuala Lumpur Kepong	Malaysia	117,000	3,609
12	Bakrie Group	Bakrie Sumatra Plantations	Indonesia	92,297	197
13	Musim Mas Group	Musim Mas	Indonesia	87,225	619
14	DSN Group	Dharma Satya Nusantara	Indonesia	70,527	336
15	BW Plantation Group	BW Plantation	Indonesia	69,330	141
16	Kencana Agri Group	Kencana Agri	Indonesia	66,084	114
17	Genting Group	Genting Plantations	Malaysia	65,394	n/a

No	Business group	Company	Country	Plantations area in 2013 (hectares)	CPO Production (tons)
18	Sungai Budi Group	Tunas Baru Lampung	Indonesia	56,822	1,400
19	Anglo Eastern Group	Anglo Eastern Plantations	British	56,725	263
20	Provident Agro Group	Provident Agro	Indonesia	45,297	81
21	Austindo Group	Austindo Nusantara Jaya	Indonesia	44,143	159
22	Gozco Group	Gozco Plantations	Indonesia	40,726	49
23	Tanjung Lingga Group	Sawit Sumbermas Sarana	Indonesia	34,164	231
24	IOI Group	IOI Corporation	Malaysia	20,000	708
25	Tiga Pilar Sejahtera Group	Tiga Pilar Sejahtera Food	Indonesia	16,836	n/a

Source: TuK Indonesia (2014, p. 16)

State-owned companies have also played a significant role in development of oil palm plantations in Indonesia, particularly in the wake of the nationalisation program of the 1950s, and again when the NES scheme was first introduced in the late 1970s. There are currently 11 state-owned oil palm plantations operating in 17 provinces, covering more than 760,000 ha, with production of 2.3 million tons in 2012, as shown in Table 5-4 below. The three largest state-owned plantation enterprises are PTPN IV in North Sumatra (136,737 ha), PTPN V in Riau (133,634 ha) and PTPN XIII in Kalimantan (118,783 ha).

Table 5-4 State-owned oil palm plantations in Indonesia

No	Company	Location	Plantation area in 2012 (hectares)	CPO production in 2012 (tons)	Revenue from CPO in 2012 (Billion IDR)
1	PT Perkebunan Nusantara I	Aceh	46,956	52,107	126,741
2	PT Perkebunan Nusantara II	North Sumatra and Papua	77,863	171,186	1,070.2
3	PT Perkebunan Nusantara III	North Sumatra	75,775.8	6,787.4	4,770.1
4	PT Perkebunan Nusantara IV	North Sumatra	136,737	666,001	5,281.8
5	PT Perkebunan Nusantara V	Riau	133,634	570,271	4,691.4
6	PT Perkebunan Nusantara VI	Jambi and West Sumatra	31,412	237,358	1,892.6

No	Company	Location	Plantation area in 2012 (hectares)	CPO production in 2012 (tons)	Revenue from CPO in 2012 (Billion IDR)
7	PT Perkebunan Nusantara VII	Lampung, South Sumatra, Bengkulu	72,294	203,266	1,432.1
8	PT Perkebunan Nusantara VIII	West Java	18,843.63	n/a	434.3
9	PT Perkebunan Nusantara XIII	West Kalimantan, South Kalimantan, Central Kalimantan and East Kalimantan	118,783.66	399,892	2,486.4
10	PT Perkebunan Nusantara XIV	South Sulawesi, Southeast Sulawesi and Central Sulawesi	19,383	29,456	219.4
11	PT Rajawali Nusantara Indonesia	South Sumatra	33,742	29,980	n/a

Source: bumh.go.id, 2015

Projected continuing increase in global demand for palm oil means that palm oil will continue to be a lucrative sector, despite current volatility of crude palm oil prices (DMSI, 2011). Hence, it is plausible that plantation companies operating in Indonesia intend to invest in new plantation development despite the government's current commitment to halt expansion through extension of the current moratorium (as discussed in Chapter 2) until 2021 (Aria, 2016).

### *Smallholders*

Smallholders in the palm oil sector can be divided into two groups: scheme or *plasma* smallholders that receive credit from a plantation for planting and inputs, and independent smallholders who are unassisted and generally use an estate mill to process their fruit (Potter, 2015). As discussed in Chapter 2, the number and total acreage of smallholdings has increased as a proportion of total oil palm plantation area in Indonesia, with a large increase during the 1980-2010 period. As such, smallholders are becoming a significant stakeholder in the palm oil sector. According to PASPI (2014), the total share of oil palm smallholders as a proportion of total oil palm plantation area in 1980 was fairly small (around 2 per cent), but by 2014 this figure had reached somewhere around 4.5 million

ha, or 41.52 per cent of the total cultivated area, of which 916,351 ha were *plasma* estates, while 3.63 million ha belonged to independent smallholders.

Independent smallholder/*plasma* farmers have high expectations that palm oil can provide a good livelihood. For example, Colchester and Jiwan (2006) report that smallholders in Sanggau District, West Kalimantan were quoted as saying that development of oil palm plantations has played a significant role in improving their incomes (see Chapter 2 for the discussion of smallholder/*plasma* farmers' income). However, smallholders' large and growing proportion of oil palm plantation area and the large number of farmers does not necessarily translate to significant influence within the palm oil industry in Indonesia. Smallholders and *plasma* farmers have very little political voice or representation, even if the scheme itself is part of a government strategy promoting regional development and poverty reduction. Thus, smallholders and *plasma* farmers remain in a relatively weak position vis-à-vis large companies.

According to the Indonesian Oil Palm Smallholders Union (SPKS),<sup>23</sup> conditions for most *plasma* farmers are far from prosperous. Many are trapped in debt to large companies and, in many cases, these farmers have been deceived by companies. After being promised two ha of plantation, consisting of 130-136 palm trees per ha, ready for harvest after three years, in reality rather than two ha many smallholders received only 1.7 ha or less and half of the trees were dead and some only reached harvest age after ten years.<sup>24</sup> Under these circumstances, there is not much that smallholders can do to improve their position, particularly while the government tends to favour companies.

Along with *plasma* and independent smallholders, there is a new type of independent grower, emerging initially in Sumatra and spreading to Kalimantan, not fitting with the category of smallholder, as their holdings are often not small. Technically, smallholder means the owner cultivates their own land (usually no more than two ha), family members provide most of the labour and investment is derived mainly from their savings.<sup>25</sup> But this is not the case with this new class of independent palm oil grower. These new 'large smallholders' are mainly local elites who benefit from ties to local government due to the advent of regional autonomy. They generally purchase land from local people to develop independent plantations of around 200 ha and use labour recruited from the local population.

---

<sup>23</sup> Interview with Indonesian Oil Palm Smallholders Union (SPKS) on 26 February 2015.

<sup>24</sup> Interview with Sawit Watch on 28 January 2015.

<sup>25</sup> Interview with ICRAF on 3 March 2015.

As Budidarsono, Sirait and Pradhan (2014) report, most of these new mid-size plantations are managed unsustainably and are major violators of environmental conservation principles and practice. Unfortunately, they seem immune to pressure brought to bear on large plantation companies. Development by these independent growers is largely beyond the central government's control. Also, most are not members of GAPKI. As a consequence, these new operators are by nature more difficult to control and manage. GAPKI, as an embodiment of Indonesia's corporatist approach, functions as a channel for propagating and executing government policies in the palm oil industry. To some extent, the national government depends on GAPKI to influence (and curb the excesses of) large-scale plantation operators who make up the bulk of its membership. GAPKI has far less influence over these smaller players. Increasingly, these small-to-medium scale operators account for a growing proportion of the problems with palm oil production – illegal land clearing and haze, land conflicts, labour abuse, etc. – that have long plagued the industry in Indonesia and that led to establishment of the RSPO (and ISPO) in the first place (Budidarsono et al., 2014).

#### 5.3.4 Industry associations

There are two leading palm oil industry associations in Indonesia: the Indonesian Palm Oil Association (*Gabungan Pengusaha Kelapa Sawit Indonesia/GAPKI*) and the Indonesian Palm Oil Board (*Dewan Minyak Sawit Indonesia/DMSI*), each with their respective roles and functions.

##### *Gabungan Pengusaha Kelapa Sawit Indonesia (GAPKI)*

GAPKI is the first and oldest palm oil association in Indonesia. Founded on 27 February 1981 with 23 companies as charter members, GAPKI has grown to now include most oil palm companies operating in Indonesia, a total of 674 private and state-owned companies.<sup>26</sup> With an aim to shape the future of the Indonesian palm oil industry, its functions include providing inputs and recommendations to the central government regarding policies affecting the palm oil sector in accordance with industry interests (Varkkey, 2016).

GAPKI is a powerful association controlled by palm oil conglomerates, which enjoys a close working relationship with government and numerous members of Parliament, with vested interests in maintaining the status quo in the oil palm plantation industry (Jiwan, 2013; Varkkey, 2016). Varkkey (2016) explains that the status quo involves the use of fire for land clearing and conversion of peatland for plantation expansion.

GAPKI has often used the issue of national sovereignty to advance the concerns of its more powerful members. For example, it was able to influence Parliament to block ratification of the ASEAN

---

<sup>26</sup> Until December 2016.



Agreement on Transboundary Haze Pollution (AATHP) for several years (Varkkey, 2016). GAPKI argued that such an agreement would be a violation of Indonesian's sovereignty. GAPKI was particularly concerned that the agreement could include enforcement and liability clauses limiting the use of fire, which would prove very expensive for its members (in terms of land clearing costs and possible fines and sanctions). However, in 2014 the Government of Indonesia ratified the agreement (Ministry of Environment, 2014).

#### *Dewan Minyak Sawit Indonesia (DMSI)*

Formerly known as Indonesian Palm Oil Commission (*Komisi Minyak Sawit Indonesia/KMSI*), DMSI was founded in December 2004 to bring together palm oil-related organisations and associations, including upstream to downstream industries. DMSI was formed with the objective of strengthening partnerships among palm oil businesses to become the centre of coordination in relation to national palm oil programmes and policies. DMSI is currently chaired by Derom Bangun, a well-known and influential expert in the Indonesian palm oil industry who has extensive international networks. Mr. Bangun was co-chairman of RSPO before resigning following GAPKI's withdrawal from that organisation (see Chapter 6).

Presently, DMSI membership comprises eight associations: the Indonesian Palm Oil Farmers Association (*Asosiasi Petani Kelapa Sawit Indonesia/APKASINDO*), the Indonesian Plantation Association (*Gabungan Perusahaan Perkebunan Indonesia/GPPI*), the Indonesian Oleo-food Industry Association (*Asosiasi Industri Minyak Makanan Indonesia/AIMMI*), the Indonesian Vegetable Oil Refiners Association (*Gabungan Industri Minyak Nabati Indonesia/GIMNI*), the Indonesian Biofuel Producers Association (*Asosiasi Produsen Biofuel Indonesia/APROBI*), the Indonesian Oleochemicals Manufacturers Association (*Asosiasi Produsen Oleochemical Indonesia/APOLIN*), the Indonesian Palm Oil Society (*Masyarakat Perkelapasawitan Indonesia/MAKSI*) and GAPKI. The DMSI, like KMSI before it, is neither a state nor private association, but a hybrid that attempts to harmonise the interests and actions of various parties.

#### 5.3.5 Traders/processors

The traders/processors category of palm oil stakeholders can be categorised into two main groups: consumer goods manufacturers and retailers.

##### *Multi-national consumer goods manufacturers*

More than 60 per cent of Indonesia's CPO is exported. Thus, international buyers have become an important stakeholder group in the Indonesian palm oil industry. Numerous multi-national manufacturers or processors depend on Indonesian palm oil as a key ingredient in their products. For instance, in 2013, 44 per cent of the EU's palm oil needs were imported from Indonesia, while the

US, India and China imported 7, 82, and 34 per cent of their palm oil from Indonesia in that same year, respectively (Worldwide Fund for Nature, 2013). The Worldwide Fund for Nature (2016) provided a list of the largest international manufacturers of palm oil products in 2016. The ten largest are listed in Table 5-5 below.

Table 5-5 10 largest palm oil consumers (manufacturer), 2015

Company	Country	Volume of palm oil used (tons)	Commitment to 100% CSPO by
Unilever	Netherlands	1,513,265	2012
Procter & Gamble	USA	493,677	2015
PepsiCo	USA	452,743	2015
Nestlé	Switzerland	417,834	2013
Unigrà	Italy	315,000	2020
Mondelēz	USA	289,255	2013
Ferrero	Italy	181,000	2015
Colgate-Palmolive	USA	174,328	2015
Godrej	India	150,000	2020
Reckitt Benckiser	United Kingdom	125,843	2015

Source: Worldwide Fund for Nature (2016)

Unilever has a long history of using palm oil in a wide range of consumer products and remains the world's largest manufacturer using palm oil and its derivatives, mostly supplied by Indonesian and Malaysian companies. Unilever was among the founders of the RSPO and currently sits on the RSPO's Board of Governors as co-chairman, along with representatives from United Plantations Bhd.

Unilever committed to use 100 per cent Certified Sustainable Palm Oil (CSPO) by 2012 (Worldwide Fund for Nature, 2013). Other large multi-national manufacturers are also members of the RSPO, also committing to use 100 per cent CSPO with target compliance dates between 2013 and 2015. As Worldwide Fund for Nature (2016) explains, most palm oil user companies listed on the Table 5-5 achieves 100% CSPO commitment by the target year.

### *Retailers*

A significant proportion of palm oil and palm oil products offered by large retail outlets places retailers as important stakeholders within the industry. Big names in retail that sell significant amounts of palm oil, palm oil products or products containing palm oil include two US giants, McDonald's Corporation and Wal-Mart Stores, also Carrefour of France and Sweden's IKEA (Table 5-6). Similar with the manufacturer category, these corporations are all members of the RSPO and have pledged to use 100 per cent sustainable palm oil across their entire supply chains.

Table 5-6 The ten largest palm oil retailers, 2015

Company	Country	Volume of palm oil used (tons)	Commitment to 100% CSPO by
McDonald's Corporation	USA	122,669	2015
Wal-Mart	USA	85,602	2015
IKEA	Sweden	41,686	2011
Tesco	United Kingdom	30,906	2012
Migros	Switzerland	12,696	2012
Carrefour	France	12,632	2015
Sainsbury	United Kingdom	12,271	2013
Ahold	Netherlands	10,683	2010
Morrisons	United Kingdom	8,652	2013
Delhaize	Belgium	8,111	2015

Source: Worldwide Fund for Nature (2016)

Retail trader and processor companies exert considerable power within the palm oil supply chain. According to DMSI (and agreed by Sawit Watch), retailers are becoming the dominant voice within the RSPO, accounting for nearly 40 per cent of total RSPO membership. The RSPO Principles and Criteria (P&C) are imposed only on growers, creating an impression among primary producers that this mechanism was developed to favour purchasers/processors. This dynamic is discussed in detail in Chapter 6.

### 5.3.6 Indigenous and forest-dependent peoples

Land is an essential issue for many indigenous communities and other forest-dependent peoples in the Asia-Pacific region, including Indonesia, as most still rely on forest products to support their livelihoods (Fisher et al., 1997; Marti, 2008). According to Chao (2012, p. 5), the term indigenous peoples can be defined as:

Descendants of those who inhabited a country or a geographical region at the time when peoples of different cultures or ethnic origins arrived.

Colchester (2011, p. 6) explains that in Indonesia the term indigenous peoples is:

Commonly used to refer to those peoples who self-identify as '*masyarakat adat*' and is applied more generally to all whose rights in land are defined by custom rather than by statutory law.

A recent study notes that the term 'forest-dependent people' refers to a wide range of individuals and groups (Newton, Miller, Byenkya & Agrawal, 2016). For the purpose of this research, Chao (2012, p. 7) provides a good definition of forest-dependent people:

Peoples who live in and have customary rights to their forests, and have developed ways of life and traditional knowledge that are attuned to their forest environments. They depend primarily and directly on the forest both for subsistence and trade in the form of fishing, hunting, shifting agriculture, the gathering of wild forest products and other activities.

It is worth noting that not all forest-dependent peoples are necessarily indigenous peoples, although many indigenous peoples are indeed dependent on forest resources (Chao, 2012). For instance, agriculturalists in regions, such as South Asia, Southeast Asia and Africa, have a long history of using forest produce and of regulating access to forest resources.

Transmigrants are another example of a group that can be considered forest-dependent peoples in Indonesia (Fisher et al., 1997). Official aims of the Government of Indonesia in promoting transmigration programs in the early to mid-1980s was to disperse the population from overcrowded regions of Java, Bali and Madura to tackle issues that come with overpopulation, such as unemployment and poverty, while supporting agricultural and commercial development in remote regions of the country. In addition to the government program, there have been large numbers of non-assisted migrants independently moving to outer Indonesian islands, lured to some extent by family and friends who previously joined the government transmigration program, also by the attraction of owning a plot of land or other profitable enterprises in places like Kalimantan or the eastern islands of Indonesia (World Bank, 1988).<sup>27</sup> Current active development of oil palm plantations in Sumatera, Kalimantan, Sulawesi and Papua has prompted new calls for transmigrants to work as labourers and/or *plasma* smallholders. As indicated by Potter (2012), the situation is dynamic, requiring a high degree of coordination between provider regions (Java, Bali, and poorer parts of East and West Nusa Tenggara), receiver districts (in Sumatera, Kalimantan, Sulawesi and Papua) and private and state-owned plantation companies, to assure that suitable sites are prepared in proposed transmigration destinations.

The estimated number of indigenous and forest-dependent peoples in Indonesia is substantial, although there is much debate about the actual size of the total population. A recent report

---

<sup>27</sup> The magnitude and impact of the transmigration project in Indonesia was enormous, it inevitably drew international attention and raised strong criticism from NGOs:

Labelled “the World Bank’s most irresponsible project” by Survival International, multilateral bank financing of this program has long been a focus of criticism because of its impact on deforestation and human rights. In 1986, transmigration was singled out by a consortium of 14 environmental groups as one of the “Fatal Five” – the five projects chosen as illustrations of inadequate environmental safeguards in World Bank lending procedures, the others being the Polonoroeste Project in Brazil, the Three Gorges Dam in China, the Narmada Dams in India and the Livestock III project in Botswana (Fearnside, 1997, p. 553).

estimates there are around 30-70 million indigenous peoples and 80-95 million forest-dependent peoples in Indonesia (Chao, 2012). In Indonesia, and other parts of the Asia-Pacific region, indigenous and forest-dependent peoples have experienced reduced control of, and accessibility to, forest resources (Fisher et al., 1997). This has occurred due to competition with commercial interests combined with inadequate or inappropriate government policies (Chao, 2012; Fisher et al., 1997). Moreover, these communities often lack legal recognition and their rights are not well protected by the government, their land is vulnerable to land grabbers and their capacity to protect and sustain their forests and customary livelihoods is in peril (Chao, 2012). This is what has occurred in relation to oil palm expansion in Indonesia.

There is a growing body of work demonstrating how indigenous and forest-dependent peoples are especially vulnerable, documenting that many have become victims of expansion by large oil palm companies (see for example Anderson, 2013; Colchester, 2011; Colchester & Chao, 2013; Colchester & Jiwan, 2006; Potter, 2008). The term 'victims of expansion' implies that oil palm plantation expansion is often accompanied by unfair processes of land use allocation and land acquisition (i.e., land alienation without Free Prior and Informed Consent/FPIC), lack of respect for indigenous people's rights, land claims without proper payment or recompense, as well as violence and other human rights violations by palm oil companies, often with tacit (or active) backing from local government, police and military.

As the palm oil industry requires extensive land for expansion, and several key government agencies support this expansion, authorities have shown very little concern to protecting indigenous and forest-dependent peoples' rights over their land (Colchester, 2011). In this regard, similar to the smallholder/*plasma* farmers' experience, government agencies (national and local) tend to favour large companies over the needs and aspirations of indigenous and forest-dependent peoples. Colchester (2011) points out that indigenous communities have been marginalised in the way plantations have been established without their participation or consent. This is due in large part to Indonesian developmentalist state policies that have prioritised economic growth through maximisation of natural resource exploitation in partnership with large business (Nomura, 2006). Such policies tend to neglect traditional forms of livelihood and environmental sustainability. Thus, politically weaker groups have been marginalised, perceived as outsiders and alienated from the policy process.

Systematic repudiation of indigenous and forest-dependent peoples' rights has resulted in marginalisation and impoverishment, and escalation of conflicts over land in Indonesia's outer islands, the site of most of the country's recent oil palm expansion and home to many indigenous

communities (Colchester, 2011). According to Anderson (2013), Sawit Watch has tracked more than 500 conflicts between indigenous and local communities and oil palm plantation companies.

Among the hundreds of indigenous and forest-dependent peoples in Indonesia, those living in Sumatra, Kalimantan and Sulawesi have suffered the most as a result of oil palm expansion. For example, Potter (2008) suggests that Dayak peoples of Kalimantan have consistently resisted the spread of oil palm plantations on their land since the New Order era. Further, Anderson, Hasibuan, Firdaus, Afrizal, Zulkifli and Firmansyah (2013) describe a conflict between oil palm production companies and indigenous communities of *Nagari Kapa* and *Nagari Sasak Ranah Pasisir* in West Sumatra. In essence, wherever there is oil palm in Indonesia, there is conflict.

### 5.3.7 NGOs and Advocacy groups

For many years, NGOs, at local, national and international levels, have been an integral part of Indonesia's civil society (Yazid, 2010). Initially, during the New Order period, Indonesian NGOs focused mainly on community development and service delivery, while later they progressed to the more political realms of environmental conservation, social and environmental justice, and human rights. During the *reformasi* period, NGOs assumed a crucial role contributing to and monitoring the nation's democratisation process, focusing on issues of governance, accountability and transparency. In terms of issues relating to the palm oil industry, NGOs are active at a variety of levels and scales, from grass-roots to international, to address a suite of environmental, social equity, human rights, social and economic development and labour and consumer rights issues. Labour unions and industry-linked pro-palm oil organisations also add their voices to palm oil debates in Indonesia.

#### *Environmental NGOs (international and Indonesian)*

As a major driver of economic growth and structural transformation – and forest clearing and land-use conversion – oil palm plantations and palm oil have become a major focus of international and national non-governmental organisations (NGOs) over the past several decades, particularly in the Southeast Asia region. The infamous 1997/1998 Indonesian forest fires, that blanketed the entire region in haze, marked a significant turning point in the global campaign against palm oil (Pye, 2013). Hai (2013) explains that soon after the Indonesian forest fires concerns of international environmental organisations, working alongside national NGOs, expanded from an earlier narrower focus on deforestation and habitat loss to other impacts of oil palm expansion, such as indigenous communities' rights and land, social and labour conflicts.

Initially, in the late 1990s, environmental NGOs concentrated primarily on awareness-raising and protest. Since then, many international and national NGOs operating in a variety of realms, such as environment, social justice, human rights, development and consumer protection, have engaged in

promoting sustainable palm oil in Indonesia. They have taken many different approaches to palm oil issues with the common objectives of increasing consumer awareness, encouraging stricter standards, introducing and enforcing certification standards, with the aim of changing plantation owners' behaviour and reducing the negative impacts of oil palm expansion.

Due to making a stand for environmental and human rights issues, NGOs are largely perceived as the enemy by most Indonesian palm oil producers, who label their advocacy and public awareness-raising campaigns and activities as *black ops*. This perception prevails amongst the business sector and in some quarters within the Indonesian government.

International and Indonesian environmental NGOs (ENGOS) have successfully drawn international attention to oil palm expansion and attendant problems. The first major ENGO to aggressively address oil palm plantation expansion was the Worldwide Fund for Nature (WWF), who continues to campaign on palm oil issues and promote sustainable practices for oil palm cultivation. Following the 1997/1998 forest fires, WWF published a report, entitled *Lipstick from the Rainforest*, which analysed the links between palm oil-based foods, cosmetics and consumer goods, rapid expansion of oil palm plantation areas and the devastating forest fires of 1997/1998 (Everett, 2014). WWF also works to educate consumers regarding the use of palm oil in consumer products and to promote transparent land use planning processes (Kemp, 2012). In 2001, WWF initiated discussions on forming a Roundtable on Sustainable Palm Oil, leading to establishment of the RSPO in 2004.

Greenpeace is another prominent ENGO engaged with issues surrounding palm oil, focusing primarily on deforestation and destruction of orangutan and tiger habitat.<sup>28</sup> This ENGO has also been active in promoting sustainable and responsible palm oil production. Greenpeace has published several well-known reports, including *Cooking the Climate* in 2007 and *Burning up Borneo* in 2008. The latter had a profound impact on Indonesia's palm oil industry. In this report, Greenpeace provided evidence of environmental destruction caused by oil palm plantation expansion by the giant Sinar Mas Group and its subsidiaries. As a result, Unilever cancelled all palm oil contracts with Sinar Mas, a move that was soon followed by Nestle (Dindar, 2010).

A variety of other international and national ENGOS consistently voiced concerns regarding environmental and social impacts of large scale oil palm plantation development through public awareness campaigns and scientific publications. These include Rainforest Action Network (RAN), Environmental Investigation Agency (EIA), The Forest Trust (TFT), World Resource Institute (WRI), Wetlands International, Rainforest Alliance, Forest People Programme (FPP), Oxfam International,

---

<sup>28</sup> Interview with Greenpeace Indonesia on 27 February 2015.

The Nature Conservancy (TNC) and The Indonesian Forum for Environment (WALHI). The Centre for International Forestry Research (CIFOR, part of the CGIAR constellation of research centres), although technically not an NGO, contributes to ENGO campaigns through publication of quality research reports on a variety of issues.

#### *Social justice, human rights and development NGOs (international and Indonesian)*

Sawit Watch is an Indonesian social justice NGO established to address negative impacts of large-scale oil palm plantations in Indonesia. Since 1998, Sawit Watch has allied with more than 50 local partner organisations to provide support to around 40,000 families experiencing the impacts of large oil palm plantations in their respective territories (Sawit Watch, n.d). The organisation endeavours to educate smallholders, oil palm workers and indigenous people so they may gain some advantage from palm oil industry development. Sawit Watch is also actively involved in advocacy work.<sup>29</sup>

Another national NGO actively engaged with palm oil issues is the Alliance of Indigenous Peoples of the Archipelago (*Aliansi Masyarakat Adat Nusantara/AMAN*). This alliance, established during the era immediately following the demise of former strongman Suharto's New Order government in 1998, advocates for the rights of indigenous communities, and as such is frequently embroiled in conflicts with large plantation companies and local and national government agencies involved in palm oil production and trade.

*Transformasi untuk Keadilan Indonesia/Transformation for Indonesian Justice* (TuK Indonesia) is a newly established social and human rights NGO focusing on advocacy for vulnerable groups and forest-dependent people marginalised by agribusiness and natural resource extraction activities. Their recent publication, *The Power of Palm Oil Conglomerates in Indonesia*, exposes the dominance of huge conglomerates in the Indonesian palm oil industry (TuK Indonesia, 2014). Other NGOs in this category include the Institute for Indonesia's Policy Research and Advocacy (*Lembaga Studi dan Advokasi Masyarakat/ELSAM*) and Consortium for Agrarian Reform (*Konsorsium Pembaruan Agraria/KPA*), both of which have been active campaigning for legal reform in the agrarian and forest sectors.

#### *Consumer groups*

Numerous consumer groups are engaged with palm oil issues. Most are based outside of Indonesia, mainly in Europe and the United States. Some were established specifically to target end users of palm oil, examples include Palm Oil Action Australia, Say No to Palm Oil, Palm Oil Consumer Action, SumOfUS, Choice Australia and Palm Oil Investigations. The main objective of these consumer groups

---

<sup>29</sup> Interview with Sawit Watch on 28 January 2015.



is to encourage end users to reduce consumption of products that contain unsustainably produced palm oil, educate end users to selectively purchase products that contain sustainably produced palm oil and promote 'truth in labelling' regulations in consumer countries. An example of the activities they pursue is an iPhone and iPad app developed by Cheyenne Mountain Zoo (2017), entitled 'Sustainable Palm Oil Shopping', which rates products according to environmental and social sustainability and includes bar code scanning capability.

#### *Farmers unions*

Currently, there are two farmer unions active in Indonesia's palm oil industry, the Indonesian Palm Oil Farmers Association (*Asosiasi Petani Kelapa Sawit Indonesia/APKASINDO*) and the Indonesian Oil Palm Smallholder Union (*Serikat Petani Kelapa Sawit/SPKS*).

Founded in October 2000, APKASINDO claims to be the only professional organisation uniting palm oil farmers in Indonesia. Like many other professional associations in Indonesia, APKASINDO is facilitated by the Indonesian Government, through the Ministry of Agriculture. APKASINDO is currently spread across 16 palm oil producer provinces and claims a membership of 12 million people (including families). The organisation's primary objective is to unite Indonesian palm oil farmers and transform them into a major economic force to improve their welfare and farmer capability in collaboration with other organisations, such as GAPKI. APKASINDO is a member of DMSI.

Established in 2006, the Indonesian Oil Palm Smallholder Union (SPKS) is another forum that claims to represent palm oil smallholders, farmers and plantation workers. The organisation's vision is to improve oil palm plantation governance through capacity building of palm oil farmers and smallholders, as well as contributing to improvement of palm oil policy.

SPKS champions smallholders, farmers and plantation workers as key actors within the palm oil sector. SPKS is committed to help them by strengthening producer associations, such as cooperatives. In order to achieve this, SPKS promotes collaborative actions with other palm oil stakeholders, such as large plantations, processing mills, banks, local and national government, and NGOs (Serikat Petani Kelapa Sawit, n.d.).

#### *Industry-linked pro-palm oil (proto) NGOs*

In addition to the environmental and social NGOs discussed above, there are number of Indonesian organisations that were established to support the palm oil industry. These organisations consistently promote a positive vision of palm oil, emphasising its contribution to rural and regional development and poverty alleviation. Established with the backing of large palm oil companies and national government agencies, these proto-NGOs act as a combination of think tank and public relations firms to counterbalance what they perceive as environmental and social justice NGO

campaigns against palm oil, while providing input and advocacy to the government. These organisations include the Indonesia Palm Oil Consumer Care (IPOCC), Palm Oil Agribusiness Strategic Policy Institute (PASPI), Indonesian Palm Oil Society (*Masyarakat Perkelapasawitan Indonesia*/MAKSI) and the Forum for Strategic Sustainable Plantation Development (*Forum Pengembangan Perkebunan Strategis Berkelanjutan*/FP2SB).

## 5.4 Relationships between stakeholder groups

Stakeholders in the Indonesian oil palm sector are not independent of each other (Neville & Menguc, 2006). Indonesia's palm oil industry consists of a wide range of actors, each with their own respective role, interests and influences. An industry of this scale and scope, that requires vast areas and armies of workers, gives rise to highly dynamic and complex interactions between stakeholders. Given such complexity, discussion in this chapter is divided into several themes, focusing on interactions between key actors that have shaped current governance of palm oil in Indonesia (see Figure 5-4 for the matrix of interactions between Indonesia's palm oil stakeholders).

### 5.4.1 Indonesian government relationships

#### *Government and the World Bank*

The relationship between the World Bank and Indonesian government is important because the World Bank's financial support and development guidance, particularly during General Suharto's New Order administration (1966-1998), greatly influenced the Indonesian government's approach toward forestry and agricultural sector management. The relationship between these two parties is unique and has a long history. The World Bank's involvement in Indonesia's affairs aligned closely with US interests in the region. At the height of the Cold War, Western countries and corporations viewed Indonesia as a country rich in natural resources and an important ally against the spread of communism in Southeast Asia (Berger, 1997; Green, 1990; Whitelum, 2003).

As discussed in Chapter 2, during the early years of Indonesia's independence, the country's economy faltered, particularly during the 1950s and 60s. At that time, Indonesia experienced a crisis due to the precipitous drop in the world market price for natural rubber, the country's main export (Lane, 2000), coupled with nationalisation programs that resulted in a massive departure of foreign capital. This ended badly in a paroxysm of bloodletting that led to the death of somewhere between half a million and three million Indonesians. The United States and the World Bank attempted to use the opportunity of the chaotic situation to draw Indonesia away from growing Russian influence. They offered substantial loans through the World Bank and explicitly asked President Sukarno to choose a side (Toussaint, 2008). Prerequisites for this assistance involved strict measures including denationalisation of previously foreign-owned corporations and new rules on private and foreign

investment (Lane, 2000). However, negotiations fell apart and Sukarno rejected the package in the midst of the Indonesia-Malaysia Confrontation of 1963-1965.<sup>30</sup> On 17 August 1965, Sukarno announced Indonesia's renunciation of its membership in the World Bank and the International Monetary Fund (IMF).

Following Indonesian politicide sparked by a failed coup attempt in September 1965, President Sukarno was ousted from presidency and Lieutenant General Suharto rose to power. Among the new military government's first tasks was to address the stagnant economy, particularly hyperinflation and staggering foreign debt inherited from the previous administration. These required sources of external finance. As such, Suharto quickly restored relationships with Western governments and institutions. Indonesia rejoined the IMF and the World Bank in February and April 1967, respectively. In September 1968, the World Bank approved its first new loans to Suharto's New Order government.

The World Bank's, and US, support for Suharto's administration was clearly geopolitically motivated. Similar political motivation was behind establishment of an international donor consortium, called Inter-Governmental Group of Indonesia (IGGI), in 1967. IGGI and the aid programs it delivered, as Engel (2010) argues, represent a prototypical example of Cold War-era World Bank support for pro-Western regimes. IGGI consisted of 12 Western donor countries, namely the United States, Australia, Belgium, Canada, Great Britain, France, Italy, Japan, Germany, New Zealand and Switzerland, together with four international organisations: the World Bank, IMF, Asian Development Bank (ADB) and the United Nation on Development Programme (UNDP). IGGI was chaired by Indonesia's former colonial overlords, the Netherlands.

In his memoir, 'Indonesia: Crisis and Transformation 1965-1968', Marshall Green (1990, p. 113), the US Ambassador to Indonesia from 1965 to 1969, explains the importance of the US government decision to decisively support multilateral economic assistance to Indonesia:

One compelling reason to move rapidly to form an effective donor consortium was the considerable doubt in the donor community about the lasting strength of Suharto's New Order. If economic conditions in Indonesia should deteriorate even further, Sukarno might seize this as an opportunity to reassert his power.

---

<sup>30</sup> The confrontation was triggered by the proclaimed of Federation of Malaysia by the British based on the Malaysian Agreement between United Kingdom of Great Britain and Northern Ireland, Federation of Malaya, North Borneo, Sarawak and Singapore. Sukarno perceived it as a maneuver to destabilise the region (Toussaint, 2008).

Moreover, in the context of the Cold War, supporting Indonesia's new pro-western government became a strategic priority:

...in geostrategic and political-economic terms, Suharto's elimination of the PKI and his regime's anti-communist credentials were central to the circumstances under which the USA and its allies quickly embarked on a major effort to reincorporate Indonesia into the world economy. This included generous quantities of aid and a considerable amount of debt rescheduling (Berger, 1997, p. 342).

Walter Rostow, a special advisor to US President Lyndon Johnson, during a 1968 conversation with the newly appointed World Bank President Robert McNamara, emphasised that World Bank support was essential 'if Suharto is to stay afloat' (Hanlon, 2007). McNamara also realised that Indonesia was the only populous country other than China with which the World Bank did not have an important relationship (Kapur, Lewis, & Webb, 1997). McNamara quickly established a close and special relationship with Indonesia, marked by a visit to Indonesian capital, Jakarta, in June 1968. As Kapur et al. (1997) describe, the relationship between the World Bank and Indonesia got off to an excellent start. The two leaders, Suharto and McNamara, admired one another, as Kapur et al. (1997, p. 470) state, "while they were engaged in daily policy discussion, the Bank and the Government of Indonesia acted like a couple of old cronies".

Along with Cold War geopolitical considerations, there was a confluence of economic interest between the World Bank and Indonesia. The New Order government's desire to develop mineral resources, agriculture and forestry fitted with World Bank emphasis on export-led economic growth:

Throughout the 1970s Indonesia pursued its development agenda under World Bank guidance. It moved to embrace export led economic growth in natural resource exploitation and raw commodities, pursuing an aggressive agricultural and rural development plan (Whitelum, 2003, p. 140).

The first major cooperation between the World Bank and Indonesian government was the Agricultural Estates Project launched on 17 June 1969. This project involved, amongst other things, planting or replanting and bringing to maturity substantial areas of rubber and oil palm, with a total investment of US\$16 million. This endeavour had four iterations and concluded with the Fourth Agricultural Estates Project in 1972. The most notable cooperation between the World Bank and the Indonesian government in the plantation sector was the Nucleus Estates and Smallholder (NES) project introduced in 1977. The objective of this project was to generate employment and increase rural incomes, while increasing output and exports of important tree crops. According to Rogers

(2015), the World Bank was very supportive of this project in Indonesia and Indonesia's adoption of the NES model was considered one of the World Bank's hallmark achievements of that era.

Export-led growth policy was a major driver of forest conversion in Indonesia's outer islands during the New Order era. The NES project, according to Hafild, Furqon, Hidayati and Sangkoyo (2000), became the primary engine of large estate crop growth, which increased pressure on forests and forest-dependent communities across Indonesia's outer islands. As discussed in Chapter 2, the NES project was a key factor in the rapid expansion of oil palm plantation development in Sumatera and Kalimantan in the 1980s.

Along with developing a relationship with the World Bank, the capacity of the new Suharto administration to deal with Indonesia's economic crisis was also due to the ability of a group of US-trained Indonesian economic advisors, known as the 'technocrats'.<sup>31</sup> The initial step taken by the technocrats to stabilise the economy was to reverse Sukarno's nationalist economic policies and open the economy. This included measures to attract foreign investment, rescheduling of Indonesia's debt and adopting liberal trade policies (Whitelum, 2003). Foreign investment was mostly targeted at exploitation of natural resources, such as timber, facilitated by issuance of the Foreign Investment and Basic Forestry Laws of 1967. The result was extraordinary, as described by Kapur et al. (1997, p. 468):

Austere budget and credit policies helped bring inflation down from 356 per cent in 1965 to 6 per cent in 1970. An export surge helped relieve the country's balance of payments and fiscal imbalance.

The Indonesian economic 'miracle' and success of its development model (as the World Bank claimed, at least until the Asian economic crisis of 1997/1998) came at a serious environmental and social cost. In the 1980s and '90s, the World Bank came under increasing pressure from environmental and social justice NGOs regarding its role supporting environmentally harmful and socially disruptive projects in many developing countries (Wade, 1997; Whitelum, 2003). A growing number of NGOs raised concerns regarding World Bank projects that caused social and ecological

---

<sup>31</sup> 'Berkeley Mafia' is a term often used to describe the group of five Indonesians who studied economics at the University of California, Berkeley under the scholarships program of Ford Foundation. This group consisted of Widjojo Nitisastro, Ali Wardhana, Saleh Afiff, J. Sumarlin, and Emil Salim. They excelled at Western economic theory and policy analysis and became key individuals in Indonesia's engagement with the World Bank and western governments and investors. In 1967, Widjojo Nitisastro was appointed head of the National Planning Agency (*Badan Perencanaan Pembangunan Nasional/BAPPENAS*) which was in charge of drafting five-year development plans and annual programs and budgets.

destruction.<sup>32</sup> Bruce M. Rich (1985, p. 56), an Attorney with the Natural Resources Defence Council (New York based international environmental advocacy group) wrote:

The World Bank and other Multilateral Development Banks (MDBs) have an enormous influence in Third World development policies, and unfortunately it has consistently used this influence to encourage the most socially and ecologically destructive projects which much inevitably contribute to the growing global impoverishment and famine.

Indonesia's transmigration program was one of the most commonly cited examples of the World Bank's destructive environmental practices, notable for its magnitude and the adverse, unintended social and environmental impacts of the population resettlement program. According to Gillis (1988), annual deforestation associated with the transmigration program in Indonesia was nearly equal to all other causes of deforestation in the country combined. Thus, the transmigration program was held up as an example of the fundamental flaws of World Bank development lending with regard to the physical environment in general, and tropical forests specifically. However, the World Bank is a bank, albeit a bank with a mission to end poverty and increase shared prosperity by fostering economic growth. World Bank support often paves the way for private investors – both international and domestic – to develop businesses and services in regions that were previously outside of or only peripherally engaged with global circuits of production and trade. Viewed from this prism, the World Bank's many years of investment in Indonesia's plantation sector, first through the Agricultural Estates Projects then through the Nucleus Estate and Nucleus Estate/Transmigration programs, have paid off handsomely (Toussaint, 2008).

The World Bank terminated support for new transmigration projects in 1992, although it continued to finance improvements and upgrades to existing settlements (Toussaint, 2008). Also, transmigration was integrated with ongoing World Bank-supported NES programs from 1988 onward.

In response to growing international scrutiny and criticism regarding environmental impacts (later broadened to incorporate social concerns) of lending programs in many developing countries, the World Bank established a new environmental department (currently known as the Environment and Natural Resources Unit) in 1987. The new department's main task was to integrate environmental protection measures into World Bank programs. This move was followed by establishment of environmental assessment (EA) procedures. Environmental assessment was intended to ensure that

---

<sup>32</sup> Interactions between the World Bank and NGOs is discussed in more detail below in the section entitled Citizen Activism.

development projects under consideration met criteria of environmental soundness and sustainability (Wade, 1997). The World Bank's operational manual states:

EA is a process whose breadth, depth, and type of analysis depend on the nature, scale, and potential environmental impact of the proposed project. EA evaluates a project's potential environmental risks and impacts in its area of influence; examines project alternatives; identifies ways of improving project selection, siting, planning, design, and implementation by preventing, minimising, mitigating, or compensating for adverse environmental impacts and enhancing positive impacts; and includes the process of mitigating and managing adverse environmental impacts throughout project implementation. The Bank favours preventive measures over mitigatory or compensatory measures, whenever feasible (World Bank, 1999, p 1).

The EA procedures described above set the framework for many World Bank environmental programs. EA guidelines apply to all component members of the World Bank group. The World Bank's investment arm, the IFC, began incorporating the EA guidelines and procedures in their operations in 1993, later superseded by the Environmental and Social Performance Standards (ESPS). These standards, which came into effect in September 1998, define IFC client responsibilities to manage environmental and social risk. However, in the case of palm oil, the ESPS has failed to apply. As mentioned above, in 2009 the IFC suspended new investment in palm oil projects in Indonesia. This was not due to IFC's own determination that clients were not conforming to ESPS standards, but was a result of pressure from NGOs.

Other development banks have also established environmental guidelines and procedures, including the Asian Development Bank (ADB),<sup>33</sup> the Asian Infrastructure Investment Bank (AIIB),<sup>34</sup> the European Bank for Reconstruction and Development (EBRD)<sup>35</sup> and the African Development Bank (AfDB).<sup>36</sup> In the private sector, 89 financial institutions from 37 countries have now signed the Equator Principles (Equator Principles, n.d.), a risk management tool based on IFC performance standards to be applied

---

<sup>33</sup> The guidelines describe how to fulfil the requirements outlined in ADB's Environment Policy and the Operations Manual on Environmental Considerations, including information on ADB's policies and procedures for conducting and reporting on the environmental assessment (Asian Development Bank, 2003).

<sup>34</sup> Published in February 2016, the AIIB Environmental and Social Framework was developed to help guide how the bank deals with its investment impacts on environment and people (Asian Infrastructure Investment Bank, 2016).

<sup>35</sup> The Environmental and Social Policy (ESP), published in 2014, establishes the framework for translating into practice the EBRD's mandate to promote environmentally sound and sustainable development in the full range of its activities (European Bank for Reconstruction and Development, 2015).

<sup>36</sup> The AfDB's Environmental and Social Assessment Procedures (ESAP) was initially published in 2001 and revised in 2015. The ESAP aims to improve decision-making and project results by ensuring that World Bank-financed operations conform to the requirements laid out in the operations safeguards and are thus sustainable (AfDB, 2015).

to all project loans over US\$10 million. As of March 2017, no Indonesian bank had yet signed the Equator Principles.

#### *Inter-ministerial and central-regional government relationships*

The relationship between regulatory agencies in Indonesia, namely between central government ministries and agencies and between national and local governments, is often convoluted, leading to contradiction, contestation and contention in policy development and implementation. There are also policy cycles, as the government's outlook and attitude vacillate between views of technocrats (who adhere to more classical liberal economic views and prescriptions), and those of economic nationalists. These tidal shifts tend to follow swings in Indonesia's economic fortunes. During the 1970s oil boom, which saw income from petroleum exports increase from less than \$1 billion in 1973 to nearly \$3 billion two years later (Kapur et al., 1997), the government changed direction, for instance, initiating a suite of import-substitution industrialisation programs and increasing subsidies on fuel and basic commodities. In leaner times, Indonesia's national economic policy tends to shift back toward a neoliberal model, including inducements for foreign and domestic investment in extractive and productive industries and cuts to subsidies and social spending. These policy shifts impact all segments of the national economy, and shifts in the pattern and trajectory of oil palm plantation growth (e.g., more or less 'social engineering', such as emphasis on nucleus estate programs) is no exception.

As previously discussed, there are many Indonesian ministries and other central government agencies with a stake in palm oil governance. Indonesia's ongoing decentralisation effort further muddies the waters, with some reduplication – and a good measure of contestation – over permitting powers and responsibilities. Despite decades of various iterations of the *Koordinasi, Integrasi, Sinkronisasi, Simplifikasi* (KISS) campaign, relations between various branches and levels of government in Indonesia remain stubbornly uncoordinated, unintegrated and unsynchronised. Often, conflicts and contradictions are driven by financial considerations, i.e., which agency can lay claim to state budgetary resources or which level of government collects taxes and user fees. The bureaucratic landscape in Indonesia became much more convoluted with the advent of decentralisation (Daemeter, 2015). Some of the more trenchant conflicts are between the Ministry of Forestry and Ministry of Agriculture regarding land use classification and forest conversion. This tension has recently come to the fore over implementation of the moratorium on new oil palm plantation development and stricter guidelines over conversion of peat wetlands for plantation use. The Ministry of Agriculture favours accelerated land conversion and plantation development. The Ministry of Trade similarly supports continued plantation expansion for increased production and revenue, while the Ministry of Environment, now merged with Forestry, urges postponement of



further forest land conversion until a thorough inventory and mapping of peatland and high conservation value forest is completed.

As previously noted, Indonesia's decentralisation process also complicated resource and land management when various land use classification and permitting functions were devolved to district government. The early years of the decentralisation process were marked by tales from across the archipelago of local *Bupati* issuing hundreds of small-to-medium scales forest use or conversion permits to local or national businesses (Barr et al., 2006). Many of these permits were issued without regard to forest classification or conservation status (Pahlevi, 2016).

#### 5.4.2 Producer relationships

Presently, large-scale private plantation companies and smallholders predominate palm oil production in Indonesia, accounting for approximately 50 and 40 per cent of the country's total oil palm plantation area, respectively. However, these relative proportions do not represent actual balance of power or wealth between the two groups. It is worth noting that the current industry structure disproportionately favours large producers, in terms of market capitalisation and access to credit, and overall revenue (Sawit Watch, 2013). Total combined revenue of the 25 largest oil palm plantation companies in 2013 (Table 5-7) reached more than US\$65 billion, with market capitalisation of more than US\$57 billion. In addition, the 2016 Forbes magazine list of the 50 wealthiest Indonesians included 16 palm oil industrialists (Forbes, 2016).

Table 5-7 Revenue and market capitalisation of major private oil palm plantation groups in 2013

No	Business group	Company	Revenue (million US\$)	Market capitalisation (million US\$)
1	Wilmar Group	Wilmar International	44,085	16,394
2	Sinar Mas Group	Golden Agri Resources	6,585	5,858
3	IOI Group	IOI Corporation	4,277	10,415
4	Raja Garuda Mas Group	Asian Agri	4,200	n/a
5	Batu Kawan Group	Kuala Lumpur Kepong	2,916	8,041
6	Salim Group	Indofood Agri Resources	1,282	1,146
7	Jardine Matheson Group	Astra Agro Lestari	1,233	3,704
8	Musim Mas Group	Musim Mas	670	n/a
9	Surya Dumai Group	First Resources	626.5	3,094
10	Genting Group	Genting Plantations	439.7	2,754
11	Darmex Agro Group	Darmex Agro	420	n/a
12	Harita Group	Bumitama Agri	392	1,655

No	Business group	Company	Revenue (million US\$)	Market capitalisation (million US\$)
13	Tiga Pilar Sejahtera Group	Tiga Pilar Sejahtera Food	391.6	557
14	DSN Group	Dharma Satya Nusantara	370.9	358
15	Sungai Budi Group	Tunas Baru Lampung	304.4	257.9
16	KencanaAgri Group	Kencana Agri	284.9	225.2
17	Triputra Group	Triputra Agro Persada	264	n/a
18	Sampoerna Agro Group	Sampoerna Agro	247.2	364.5
19	Anglo-Eastern Group	Anglo-Eastern Plantations	201.9	481.7
20	Bakrie Group	Bakrie Sumatera Plantations	200.4	57.2
21	TanjungLingga Group	Sawit Sumbermas Sarana	189.4	1,002.1
22	Austindo Group	Austindo Nusantara Jaya	138.4	417.5
23	BW Plantation Group	BW Plantation	110.4	479.5
24	Provident Agro Group	Provident Agro	69	293.3
25	Gozco Group	Gozco Plantations	41.3	50.0

Source: TuK Indonesia (2014, p. 8-9)

Although numerous studies suggest that oil palm provides a better livelihood for smallholders in several regions across Indonesia (see for example Rist et al., 2010; Rival & Levang, 2014), many smallholders, and more so oil palm plantation workers, still live in poverty. According to an Oil Palm Farmers Union representative, “smallholders, in particular *plasma* smallholders, are still far from prosperous”.<sup>37</sup> Regarding labourers, research by Sinaga (2013, p. 65) found that:

The situations of workers in the sector remains deplorable, particularly their employment status and income... The poor working conditions also have ramifications for food security. Due to the monoculture nature of the plantations it is often difficult for local people to grow food crops.

The ongoing Nucleus Estate and Smallholder scheme is the Indonesian government’s attempt to improve the status and prospects of oil palm smallholders. The government considers the scheme to be a major success story (Badrun, 2010). Since 2013, the government has mandated that large-scale plantations must support the NES program by setting aside at least 20 per cent of total plantation area for *plasma* smallholders.<sup>38</sup> It is worth noting that, even though the government supports the

<sup>37</sup> Interview with SPKS on 26 February 2015.

<sup>38</sup> Ministerial Decree No. 98/Permentan/OT.140/9/2013 of the Guidelines of Plantation Business Licensing.

NES scheme as a major economic development and poverty reduction strategy, benefits flow overwhelmingly to large conglomerates, while smallholders have not benefited proportionately.

The NES scheme has often proven a source of conflict between large-scale plantation companies, smallholders and indigenous/forest-dependent peoples, sometimes resulting in horizontal conflict between migrant smallholders and local communities. Key issues of contention include a general lack of clarity regarding contracts, unfulfilled promises, weak governance and land conflicts (Colchester & Jiwan, 2006; Colchester et al., 2006; Marti, 2008; Rist et al., 2010). Conflicts have occurred in all major palm oil producing areas, as shown in Figure 5-2 below.

Farmers often do not understand the contracts they sign. The wording used is often unfamiliar and they commonly rely on verbal agreements with companies or local officials. As Rist et al. (2010) explained, there is a lack of clarity as to who retains ownership of the land and terms of debt repayment. Usually the company retains the land for one oil palm cycle (8-30 years). However, it is frequently unclear what happens after this period and is seldom specified in the terms of contract (Rist et al., 2010).

Farmers often do not receive items or services promised by companies. For example, companies sometimes do not purchase fresh fruit bunches (FFB) produced by *plasma* farmers.<sup>39</sup> In other cases, companies have not provided promised community infrastructure, such as schools, clinics, roads and irrigation, or technical assistance to plasma smallholders (Rist et al., 2010). Meanwhile, local government officials and agencies have a vested interest in ensuring plantation development goes ahead as quickly as possible. Frequently, agreements are signed without proper consultation with local farmers or communities. Land set aside for the *plasma* scheme is often less productive portions of the estate area, sometimes located far from *plasma* farmer dwellings. Local community members who agree to hand over their land holdings to nucleus estate schemes are generally unaware that in so doing their land is then officially classified as state forest land (Colchester & Jiwan, 2006).<sup>40</sup>

Unclear land tenure and land ownership disputes cause serious problems for many NES projects. Many long-running land disputes are a legacy of President Suharto's New Order regime and have never been resolved (Rogers, 2015). Colchester and Chao (2013) argue that these disputes stem from unjust legal and governance frameworks that fail to protect the rights of indigenous and local communities. Since the early days of Indonesia's 'logging boom' that began in earnest not long after the newly ascendant New Order government issued its Investment and Forestry laws in 1968, the

---

<sup>39</sup> Interview with Sawit Watch on 28 January 2015 and SPKS on 26 February 2015.

<sup>40</sup> Forest land property rights in Indonesia are a legal quagmire requiring detailed discussion which falls outside the scope of this manuscript.

practice of land alienation or acquisition for forestry – and later plantation – projects has been hostile and very often violent (Colchester et al., 2006).

Debt is another problem faced by smallholders in the NES scheme. According to World Watch (Block, 2016) and confirmed in interviews with representatives from Sawit Watch and SPKS, farmers often struggle to repay loans provided by plantation companies and are frequently unaware of the conditions or total cost of the credit. Buried under growing debt, these smallholders are effectively obliged to work as indentured labourers for plantation companies.

Various studies have highlighted how large-scale companies operating in the Indonesian palm oil sector have been embroiled in conflicts with smallholders and indigenous and local communities. Big names include Bakrie Sumatera Plantations, Wilmar Group, Surya Dumai Group, Sime Darby Group, Duta Palma Group, Cipta Cakra Murdaya Group, Bumitama Gunajaya Agro Group, PT Perkebunan Nusantara XIII, PT Karya Canggih Mandiri Utama, PT Citra Nusa Inti Sawit, PT Mitra Austral Sejahtera, PT Permata Hijau Pasaman, PT Ponti Makmur Sejahtera, and PT Permata Hijau Sawit. Until 2015, Sawit Watch recorded 776 conflicts between plantation companies and communities and smallholders (“2015, konflik di perkebunan,” 2016).



Figure 5-3 Palm oil related conflicts in Indonesia, 2014-2016, denoted by blue points

Source: <http://www.geodata-cso.org/>

Despite a suite of regulations intended to reduce or eliminate social and environmental problems of palm oil production, continued NGO advocacy and direct action, World Bank EA procedures and implementation of new palm oil governance protocols (especially the RSPO and ISPO), many problems discussed above continue unabated. Large oil palm plantations in Indonesia still largely operate with impunity, continuing with business as usual practices, despite an abundance of evidence exposing their illegal actions.

Several arguments help explain why this impunity of large oil plantations in Indonesia remains. First, a dense web of patron-client relations link plantation companies to Indonesia's ruling elite at regional and national government levels (Varkkey, 2016). Since the demise of the New Order government, the nexus of these patronage networks has shifted from national to regional and local government, essentially decentralising corruption and collusion (Environmental Investigation Agency, 2012).

Second, when disputes – such as land disputes – occur, they are usually settled through informal mechanisms (Varkkey, 2016). Law enforcement in these cases is uneven at best. In a well-publicised example, the Provincial Environment Agency in Central Kalimantan was unable to investigate or prosecute companies who violated Law 32 of 2009 on Environmental Protection and Management, citing a lack of clear guidelines or procedures on how to investigate and prosecute cases (Environmental Investigation Agency, 2012). Similarly, local authorities in Riau province were confounded by a regional law that permits open burning on plantations of up to two ha as long as a permit has been granted, in direct contradiction to the national zero burning policy (Varkkey, 2016).

Corporatist structures and practices, discussed in greater detail in the following chapter, help to enable this form of 'cowboy justice'<sup>41</sup> in the forestry and plantation sectors. Much of this corporatist strategy has its roots in the New Order government's economic recovery and development strategies conceived and implemented with strong support and guidance from the World Bank, IMF and IGGI in the months and years immediately following the country's political and economic collapse, mass killings in 1965-66 and subsequent overthrow of President Sukarno.

#### *Producers and commercial bank relationships*

Commercial banks provide the primary source of funding for private plantation development. Several Indonesian and international commercial banks and financial institutions play important roles in the Indonesian palm oil industry, as discussed in section 5.3.1. In the few past decades, more than US\$ 50 billion has been invested in the Malaysian and Indonesian palm oil sectors, with around half of this amount going to the 27 largest palm oil companies, making this a very important – and lucrative – relationship for both (Vermeer, 2017). As such, commercial banks are perceived as helping to support unsustainable practices of palm oil companies, and some have been subjected to protests organised by NGOs. Several reports have exposed the role of commercial banks and financial institutions in financing corporations implicated in forest fires, destroying habitat of endangered species and land grabbing (Environmental Investigation Agency, 2013; Gregory, 2016; Greenpeace, 2017; Oxfam, Australia 2014; Rainforest Action Network, 2013). As a result, some commercial banks have paid more attention to sustainability requirements (HSBC, 2014) and some are pressing clients

---

<sup>41</sup> The term 'jungle law' is more frequently used in Indonesia.

to comply with sustainability standards, in some cases curtailing services to clients who do not follow RSPO principles. For commercial banks, the decision to act is at least partly due to concern about reputation. Some shareholder groups also pressure boards of directors to engage in more ethical practices.

#### 5.4.3 Trader-buyer-processor-retailer relationships

As discussed in section 5.3.5 above, Indonesia exports more than 60 per cent of its palm oil to India, China, Europe and the US, mostly to multi-national consumer product manufacturing companies and retailers. These buyers also source palm oil supplies from Malaysia, which exports over 90 per cent of its palm oil production. Thus, palm oil producers are dependent on international buyers to remain profitable.

While palm oil is used in wide range of products, it is important to remember that vegetable oils are interchangeable. Manufacturers and retailers may shift from palm oil to other vegetable oils, such as soybean (currently the world's second most consumed vegetable oil), rapeseed or sunflower. In contrast, palm oil producers have limited options to sell their products, particularly as domestic markets can absorb a limited percentage of total production. Revenue from international sale of palm oil provides a major funding stream for ongoing plantation expansion (Shibao, 2015c). As such, manufacturers and retailers occupy an important, and influential, position in the palm oil supply chain.

Due to exposure to retail consumers, consumer product manufacturers and retailers are vulnerable to NGO or consumer pressure and activism. As discussed in Chapter 2, discouraged by initial attempts to engage directly with oil palm producers, NGOs have shifted their focus toward influencing downstream industries, who are more sensitive to consumer sentiment and organised boycotts. Commitments by large manufacturing companies and retail outlets, in response to consumer activism, have been the main driving force behind the shift to sustainably sourced palm oil.

The first major case of anti-palm oil activism took place in 2008-09, involving Greenpeace, Sinar Mas Group and Unilever. Unilever, as the world's largest purchaser of palm oil, responded to a coordinated campaign spearheaded by Greenpeace by making a bold decision to suspend its long-term contract to purchase palm oil from Indonesia's giant Sinar Mas Group. The decision was in response to a Greenpeace report entitled *How Unilever palm oil suppliers are burning up Borneo*, documenting clear evidence that plantation expansion by Sinar Mas had caused significant environmental damage, through burning and draining of peatland, driving species extinction and releasing vast amounts of greenhouse gases (Greenpeace, 2008). A team from Unilever visited Sinar

Mas plantations in Central Kalimantan and confirmed Greenpeace's findings prior to suspending the contract with Sinar Mas Group.

In 2010, Greenpeace targeted another major food processing company, Nestle. The campaign included a video in which an office worker opened a Kit Kat bar to find an orangutan finger in the red wrapping. The image was followed by a call to Greenpeace's Twitter followers to 'attack' the Swiss company's Facebook fan page. Thousands of social media users posted comments criticising company practices and traded altered logos, such as replacing the words 'Kit Kat' with 'Killer'. Following in Unilever's footsteps, Nestle also elected to suspend their purchasing contract with the Sinar Mas Group.

The effective campaigns described above proved difficult for palm oil buyers to ignore. Both Unilever and Nestle, soon followed by several other manufacturers and retailers, changed palm oil buying policies and a shift to Certified Sustainable Palm Oil began to gather momentum. After Sinar Mas Group announced a new Forest Conservation Policy in collaboration with The Forest Trust (TFT), in 2011, Unilever and Nestle resumed purchase of palm oil from Sinar Mas Group. Subsequently, the company also successfully gained RSPO certification.

A report released by Worldwide Fund for Nature (2016) indicates that nearly all of the world's largest palm oil users were well on the way to meeting 100 per cent certified sustainable palm oil (CSPO) commitments by their respective target dates. These manufacturers and retailers, based mainly in Europe and the US, are significant players in the palm oil supply chain, and their commitment to use only CSPO in their products has driven an increase in demand for sustainable palm oil. Nonetheless, as of mid-2016, only 11 million tons of palm oil, less than 20 per cent of total world production of 65 million tons, has been certified as sustainable (Roundtable on Sustainable Palm Oil, 2016a).

According to GAPKI, there has been considerable frustration and resentment among Indonesian palm oil companies over the relative power of downstream industries, NGOs and consumers.<sup>42</sup>

Disregarding the business management truism that 'the customer is king', these producers consider that their significant contribution to global food supplies is undervalued and underappreciated, and they resent the ill will to which they have been subjected. As discussed in greater detail in the following chapter, the relative power of downstream industries and NGOs is reflected in the RSPO Principle and Criteria (P&C), and guidelines and indicators, that are becoming more rigorous over time. According to a GAPKI official, this places palm oil producers in a difficult position, stating that:

---

<sup>42</sup> Interview with GAPKI on 23 February 2015.

“In the RSPO, growers have to face the coalition of manufacturers, retailers, traders, environmental and social NGOs, as well as banks, while these actually are not the direct stakeholders in the palm oil industry. The environment within the RSPO is not conducive for palm oil growers to deliver their agendas. There is power asymmetry in the RSPO. Growers are outnumbered, while the decision-making process in the GA is through voting rather than consensus. Palm oil growers, thus, always lose”.<sup>43</sup>

An DMSI official added:

“Within the RSPO, there are many voices that favour NGOs’ concerns. Why? This is because palm oil buyers and consumers in Europe are afraid of NGOs campaigns that may affect their operations. They are worried that end users will be reluctant to buy their products. That is the reason why the retailers, consumer goods manufacturers and processors and traders have the same attitude as the NGOs. As a consequence of this domination, the RSPO’s Principles and Criteria are becoming more stringent. And who is the main actor in the RSPO? It is Unilever!”<sup>44</sup>

Moreover, the burden of complying with RSPO P&C fall entirely on oil palm plantation owners, creating an impression among primary producers that this mechanism was developed to favour downstream industries.

#### 5.4.4 Citizen activism

This section discusses relationships between environmental and social justice NGOs and various other stakeholders, particularly government, growers, industry associations and international manufacturers and retailers.

Rapid expansion of oil palm plantation in recent decades and its adverse environment and social impacts has drawn attention from almost every corner of the globe. It is certainly a telegenic crisis. Haze that can be photographed from space, which shuts down airports and chokes cities across multiple countries, is definitely a newsworthy event. International environmental organisations have long recognised that the plight of large charismatic mammals is the most effective way to attract public attention and financial commitment. Borneo and Sumatra are home to endangered populations of, among other species, orangutans, tigers and rhinoceros, which are exploited as mascots of anti-(unsustainable) palm oil and forest conservation campaigns.

---

<sup>43</sup> Interview with GAPKI on 23 February 2015.

<sup>44</sup> Interview with DMSI on 19 March 2015.



Many international and national environmental NGOs, and social justice advocacy groups, have become highly professional and sophisticated in awareness raising, community organising and advocacy campaigns, in some cases conducting exhaustive research to inform these efforts. Where once their energies were narrowly focussed on set-asides and species conservation, they now focus more on transforming public opinion, institutions and norms. Once considered fringe players, NGOs have now penetrated the highest levels of decision making bodies and processes, gaining a seat at the table in international negotiations as well as the boardrooms of numerous international corporations, bringing new priorities, demands and accountability standards (Mathews, 2004).

The relentless demands of NGOs for sustainable forest management and sustainable palm oil, often create friction with other actors, including government, industry associations, growers, manufacturers and retailers. Interviews with government and industry association representatives and plantation managers in Indonesia revealed common disdain for the attitudes and tactics of NGOs. These individuals labelled NGOs as militant anti-palm oil organisations, running 'black op' negative campaigns aimed at undermining the palm oil business. Some even go so far as to suggest that some NGOs are acting as front organisations for countries or corporations producing other oilseed crops.<sup>45</sup>

The Indonesian government has long had a contentious relationship with international and national NGOs. This dynamic is reflected in campaigns 'for' and 'against' palm oil. A number of NGOs, such as Sawit Watch, WALHI and Greenpeace, have been summoned by the Coordinating Ministry for Economic Affairs to answer questions about their activities and 'negative tone' toward Indonesian palm oil businesses.<sup>46</sup> At the November 2015 Indonesian Palm Oil Conference (IPOC), General (Ret.) Luhut Binsar Panjaitan, Coordinating Minister for Political, Legal and Security Affairs at that time, raised concerns about NGOs activities targeted against the palm oil sector. General Panjaitan suggested that any person or organisation, including foreign NGOs, that the government perceived as disruptive to the palm oil sector should be issued a warning, and if they ignored this warning could be expelled from Indonesia (Sawit Indonesia, 2015). Industry associations and large companies similarly feel they are being unfairly targeted by NGOs campaigns.

Continuous activism by NGOs aimed at palm oil producers and complicit government agencies are not without justification. They highlight the government's close relationships with large palm oil producers and insufficient attention to issues raised by smallholders and indigenous and forest-dependent communities. NGOS propose that palm oil companies continue business as usual despite

---

<sup>45</sup> Interview with GAPKI on 23 February 2015.

<sup>46</sup> Interview with Sawit Watch on 28 January 2015.

repeated exposure of abuses and violations. Conflicts and environmental degradation continue unabated, except in rare ‘window dressing’ cases when companies are compelled to demonstrate they are responding to consumer and community concerns. From the point of view of most environmental NGOs, progress toward transforming the palm oil industry to sustainable principles and practices has been frustratingly slow.

The following example illustrates the sort of grounded campaign undertaken by NGOs in oil palm producing areas. In July 2007, a group of 19 environmental groups, plantation smallholder representatives and local NGOs representing indigenous people, led by Forest Peoples Programme (FPP), Sawit Watch and the Oil Palm Farmers Union (SPKS), lodged a complaint with the IFC’s Compliance Advisor Ombudsman (CAO) regarding Wilmar Group’s activities in Sambas, West Kalimantan. Several concerns were raised, including violation of legally mandated environmental protection measures, requisitioning indigenous peoples’ customary lands without due process or negotiated agreements, and land clearing and using fire without permits (Compliance Advisor Ombudsman, 2014). The CAO mediated a dispute resolution process, culminating in an agreement with the following provisions:

1. Communities were granted access and use of idle plantation land;
2. Fair compensation for appropriation of land; and
3. Enhanced community investment funds for collective benefits and access to development opportunities for the broader community.

The plaintiffs pointed out the IFC’s poor compliance with its own operating procedures and due diligence requirements, particularly failure of IFC staff to undertake a proper review of Wilmar’s practices.<sup>47</sup> The CAO agreed to audit IFC staff for adherence to performance standards (CAO, 2014).

The same coalition filed two additional complaints, in 2008 and 2009, against Wilmar plantations in Riau and Jambi provinces citing similar concerns. Wilmar Group had clearly disregarded the previous agreement, or perhaps felt compelled to comply only at the site of the original complaint, while business as usual could proceed unhindered in other locations. Once again, the plaintiffs noted IFC negligence of its own standards and regulations in its ongoing support for Wilmar Group, in spite of recent findings in Central Kalimantan (CAO, 2014).

In response to the Wilmar case, in September 2009 the World Bank President instructed IFC and other member agencies of the World Bank Group to suspend all new investment in the palm oil sector. Eighteen months later the World Bank lifted its ban and re-engaged with the palm oil sector

---

<sup>47</sup> Complainant’s letter to CAO dated 18 July 2007.

(World Bank, 2011). As explained in *The World Bank Group Framework and IFC Strategy for Engagement in the Palm Oil Sector* (World Bank, 2011), there are four pillars setting the terms and conditions of this re-engagement:

1. Improved policy and regulatory environment, mainly relating to better implementation of land administration systems, land use planning, environmental impact assessment and regulations, labour regulations, and conflict resolution;
2. Sustainable private sector investment; i.e., private sector partners must ensure investment in the sector generates economic benefits in an environmentally and socially sustainable manner;
3. Benefit sharing with smallholders and communities, as palm oil can be significant contributor to livelihood improvement and poverty reduction in many rural communities; and
4. Codes of sustainable practice, including development, adoption, and implementation of commodity specific sustainability standards such as certification systems.

Since this development in 2009, the IFC began actively cooperating with environmental NGOs to reduce impacts of oil palm plantations on biodiversity through the Biodiversity and Agricultural Commodities Program (BACP). In April 2009, the IFC agreed to finance a project to support sustainable palm oil production through private-public partnership for landscape-based high conservation value forest (HCVF) conservation in West Kalimantan and Papua provinces. The US\$690,000 project is being undertaken in collaboration with Fauna and Flora International (FFI). This project was followed by several other BACP projects, including a project with Paneco Foundation in Aceh province worth nearly US\$950,000, another project in collaboration with Zoological Society of London (ZSL) in Sumatra and Kalimantan worth approximately US\$730,000 and a regional program in cooperation with the RSPO in Indonesia and Malaysia worth nearly US\$290,000.

#### 5.4.5 New alliances

Recently, palm oil corporations have begun to establish partnerships directly with the NGOs they previously considered adversaries. Some observers hail this as a new era of innovation and collaboration, while others view these new partnerships with a measure of suspicion, suggesting that NGOs are being 'co-opted' or outmanoeuvred by better resourced and more business-savvy international corporations. An example of palm oil corporations partnering with NGOs is, in 2011, Golden Agri-Resources began working with The Forest Trust (TFT) to implement new standards that expand on RSPO standards. Under this agreement, the company commits to not plant oil palm on peat land and not clear land with high carbon storage value with a tentative ceiling of 35 tons carbon

per ha (Kemp, 2012). At about the same time, Sime Darby of Malaysia initiated the Smallholder Acceleration and REDD+ Programme (SHARP) together with Proforest, Solidaridad and TFT. On the SHARP website, they explain that:

SHARP partners work together to build capacity for smallholder engagement, align around common solutions, exchange information and form public-private partnership to bring together the resources, the knowledge, skills and capacity to realise change at scale (SHARP, 2012-2016).

SHARP has been initiated in a number of countries including Indonesia, Honduras, Ghana and Brazil. In Indonesia, there are currently three projects established under SHARP in oil palm plantations in Jambi and Riau. Key stakeholders include private Indonesian plantation companies, smallholders, local social welfare NGOs, international environmental NGOs and local government.

In November 2013, a new Palm Oil Innovation Group (POIG) was initiated by a group of international NGOs including WWF, Rainforest Action Network (RAN) and Greenpeace, together with palm oil companies, including Agropalma and Daabon Group. According to the POIG website, the group “aims to support the RSPO through building on RSPO standards and commitments and by both demonstrating innovation to implement RSPO existing standards as well as with additional critical issues” (POIG, n.d.). The group was initiated after a 2013 review of the RSPO P&C, which POIG members felt should have been more innovative, particularly on issues of deforestation, carbon stocks, biodiversity and social relations (Worldwide Fund for Nature, n.d.). POIG requirements align with several companies’ (e.g. Unilever, Ferrero, Mars and Wilmar) commitments, which go *beyond* current RSPO requirements. Presently, POIG has fifteen members, i.e., Agropalma, Boulder Brands, Daabon Group, Danone, Ferrero, Forest People Programme, Greenpeace, International Labor Rights Forum (ILRF), Musim Mas, Orangutan Land Trust, Rainforest Action Network, the Sumatran Orangutan Society (SOS), Stephenson, Verite, Wetlands International and WWF (POIG, n.d.).

In conjunction with the UN Climate Summit 2014 in New York, the Indonesian Chamber of Commerce (*Kamar Dagang dan Industry/KADIN*) instigated a new Indonesian Palm Oil Pledge (IPOP). Several major private palm oil companies, such as Wilmar, Golden Agri Resources, Cargill and Asian Agri, immediately signed on. IPOP describes itself as a partnership of palm oil corporations aimed to create an environment in Indonesia which enables and promotes production of sustainable palm oil that is deforestation free, increases social benefits and improves Indonesia’s market competitiveness (Lillegraven, 2016). Less than two years later, in 2016, the Indonesian Ministry of Agriculture pressured KADIN to retract and disband IPOP, as the government considered they have been left out of the process (Subagyo, 2016).

Also in 2014, five palm oil conglomerates, Sime Darby (Malaysia), IOI Corporation (Malaysia), Kuala Lumpur Kepong (Malaysia), Musim Mas (Indonesia) and Asian Agri (Indonesia), launched the Sustainable Palm Oil Manifesto (SPOM). Several additional signatories later added their names to the manifesto, such as Cargill, Apical, Wilmar and Unilever. The manifesto commits signatories to enhance the RSPO P&C by setting higher standards for growers, traders, end users and other stakeholders, with three specific principles: no deforestation, protect peat areas, and drive positive socio-economic impact for people and communities (Sustainable Palm Oil Manifesto, 2014). Some environmental groups have criticised the manifesto as a devious ploy to weaken existing thresholds that will cause more forest and peatland conversion (Gaworecki, 2015).

In addition to these new multi-stakeholder initiatives, an example of a smaller, more narrowly focussed partnership is a new agreement between Greenpeace and the Oil Palm Farmer Union (SPKS). In 2014, the two groups published a 'Roadmap of Sustainable Palm Oil Smallholder' as a strategy to elevate smallholders as key stakeholders striving to improve the social, economic and environmental conditions affecting palm oil smallholders (Serikat Petani Kelapa Sawit, 2014).

Recently, the Indonesian and Malaysian governments announced a plan to merge the ISPO with the newly established Malaysia Sustainable Palm Oil (MSPO) to form a new Council of Palm Oil Producing Countries (CPOPC), a sort of palm oil OPEC, perhaps. It remains unclear what this alliance intends to achieve, nonetheless the two governments signed a Charter of the Establishment of the CPOPC in November 2015 (Ministry of Foreign Affairs, 2015).

## 5.5 Conclusion

The foregoing presents a very simplified map of the socio-political landscape of Indonesian palm oil. Worth to note, however, it is a highly dynamic situation, new alliances and endeavours appear and merge and reform on a continual basis, and are likely to continue to do so. Yet, three things are clear: palm oil acreage and production continues to increase in response to growing global demand for quality edible oils, the myriad of social and environmental problems that have accompanied the growth of plantations stubbornly persist, and governments, communities, growers, corporations and civil society have demonstrated considerable creativity and tenacity in attempting to deal with these issues and opportunities. Clearly, the verdant field of palm oil governance will continue to sprout new acronyms, alliances and initiatives. Some may take root, others will wither and disappear. In the next chapter, discussion turns to Indonesia's role in, and responses to, two major palm oil governance initiatives.

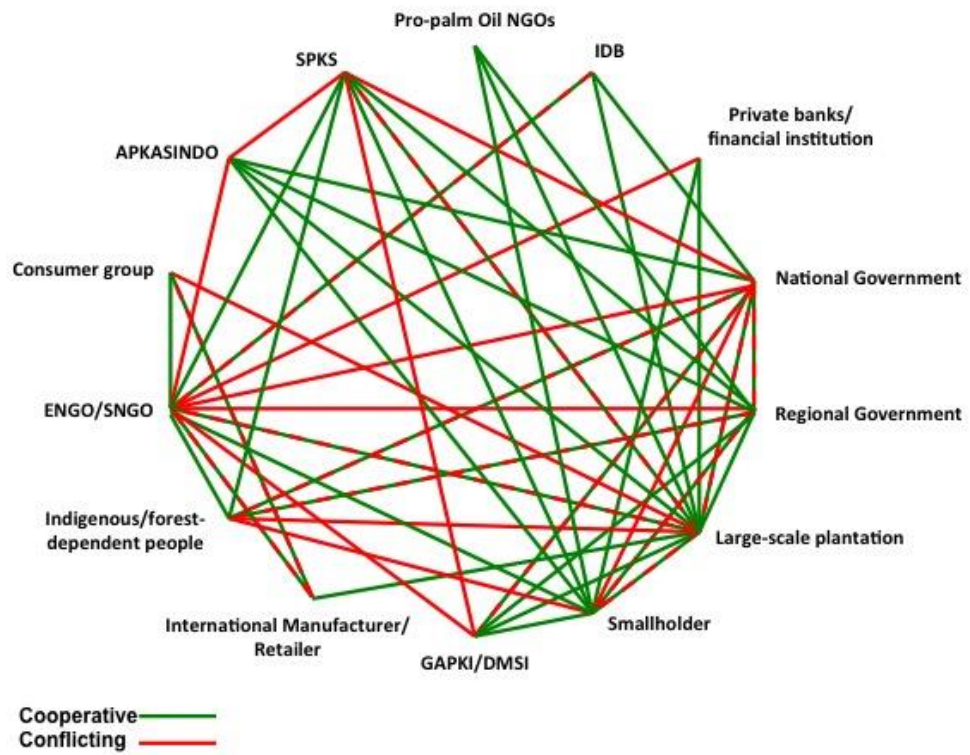


Figure 5-4 Matrix of relationships between Indonesia's palm oil stakeholders

## 6 PALM OIL GOVERNANCE IN INDONESIA: EMERGENCE OF THE ISPO

### 6.1 Introduction

Chapters 2 and 5 provided an overview of the palm oil industry in Indonesia and its stakeholders, setting the scene for discussion in this chapter. Chapters 2 and 5 related rapid development of the industry, particularly in South East Asia, over the past three decades, as well as its complex structure. The palm oil supply chain has expanded as the number of actors involved continues to grow, including those not directly involved in the supply chain. Stakeholder interests are intertwined and relationships among them are increasingly dynamic and complex. Meanwhile, oil palm plantation areas and palm oil production continue to increase, causing unprecedented social and environmental problems.

The factors described above led to the idea to form a partnership involving different stakeholders with the objective to promote production and use of sustainable palm oil. Thus, in 2004 a private transnational multi-stakeholder palm oil governance forum, called the Roundtable on Sustainable Palm Oil (RSPO), was officially established. Founders included the Worldwide Fund for Nature (WWF) representing the NGO sector, the Malaysian Palm Oil Association (MPOA) representing palm oil growers, and three representatives of downstream industries: Unilever, Aarhus United UK Ltd and Migros. The RSPO has defined primary standards of sustainable palm oil, and its certification scheme has been adopted globally.

Seven years after the RSPO launch, the Government of Indonesia took the bold and controversial decision to introduce a state-driven palm oil governance regime, called the Indonesian Sustainable Palm Oil (ISPO), with its own certification scheme. Unlike the RSPO, with its voluntary membership and standards, all oil palm plantations and industries operating in Indonesian territory are required to follow ISPO mandatory standards. This strategy inevitably raised an intriguing question: Why would the Government of Indonesia choose to withdraw from the RSPO, an international organisation, to establish their own national standard while there is growing consensus that the existing global multi-stakeholder governance system is already comprehensive?

This chapter analyses emergence of two distinct palm oil governance systems, the RSPO and ISPO, with emphasis on the latter. The chapter begins with a discussion on emergence of the RSPO, its history, organisation, objectives and dynamics within the RSPO. This is followed by a discussion on emergence of the ISPO, its history, organisation, objectives and narratives surrounding establishment of the ISPO. The third section presents a comparison between the RSPO and ISPO. Consideration of the ISPO leads into a discussion on theories of sovereignty and neo-corporatism. These two concepts

help understand initiatives of the Indonesian Government and palm oil producers to establish the ISPO as a state-centric system of palm oil governance.

## 6.2 Launch of the RSPO

### 6.2.1 A brief history

In response to campaigns and boycotts by environmental groups, some palm oil producers and associated entities developed and implemented strategies to produce more environmentally friendly, sustainable palm oil. In 2001, the WWF began exploring the possibility of establishing an organisation to improve practices in oil palm plantation management and the palm oil industry more broadly (Bangun, 2010). The WWF held a workshop in Kuala Lumpur, Malaysia where several palm oil stakeholders participated, including representatives from palm oil growers, buyers and NGOs. It is worth noting that governments from palm oil producing countries were not invited to the workshop.

As the discussion around forming an organisation dedicated to palm oil sustainability progressed, concerns arose regarding the sincerity of the effort. Many growers were suspicious that the idea was an attempt from Western countries to control and intervene in oil palm production in Malaysia and Indonesia for their own trade interests. According to Bangun (2010), the workshop organised by WWF failed to produce a significant agreement, although participants agreed to sign a Statement of Intent. In 2002, a group of major palm oil stakeholders, Aarhus United UK Ltd, Migros, Malaysian Palm Oil Association (MPOA), Unilever and WWF, agreed to informal cooperation, and in 2003 an inaugural meeting, attended by 200 participants from 16 countries, was held in Malaysia to adopt the Statement of Intent, a non-legally binding announcement of support for establishment of the Roundtable on Sustainable Palm Oil (RSPO) (Roundtable on Sustainable Palm Oil, 2017a). As Bangun (2010) explains, the objective of the meeting was to discuss principles of sustainable palm oil based on the 'three Ps', i.e., People, Planet and Profit (3P). The 3P concept was further developed to encompass eight principles and thirty-nine criteria. The eight principles are as follows:

1. Commitment to transparency;
2. Compliance with applicable laws and regulations;
3. Commitment to long-term economic and financial viability;
4. Use of appropriate best practices by growers and millers;
5. Environmental responsibility and conservation of natural resources and biodiversity;
6. Responsible consideration of employees as well as individuals and communities affected by growers and mills;
7. Responsible development of new plantations; and
8. Commitment to continuous improvement in key areas of activity.



In April 2004, the RSPO was formally established under Article 60 of the Swiss Civil Code and, in August of that year, 47 organisations agreed to participate in the RSPO and signed the Statement of Intent (Roundtable on Sustainable Palm Oil, 2017a), without involvement of government representatives. WWF, MPOA, Unilever, Aarhus United and Migros are considered official founders of the RSPO, although, according to Bangun (2010), GAPKI (as Indonesia's representative) was also actively involved in formation of the RSPO.

In November 2005, 14 companies agreed to conduct initial pilot implementation of the RSPO Principles and Criteria (P&C) for two years.<sup>48</sup> After review of the P&C by the RSPO Criteria Working Group, as well as public consultations in October 2007, the certification system for sustainable palm oil was approved by the RSPO Executive Board, adopted at the fourth RSPO General Assembly in November 2007 and officially launched at the fifth Roundtable meeting (Gulbrandsen, 2010) by the Malaysian Minister of Plantations, Industries and Commodities, Datuk Peter Chin Fah Kui in Kuala Lumpur (Roundtable on Sustainable Palm Oil, 2017a). The first RSPO certified sustainable palm oil became available in November 2008 (Schouten & Glasbergen, 2011).

#### 6.2.2 Who is the RSPO?

The RSPO is voluntary private palm oil governance framework. As such, the entity is described by Bernstein and Cashore (2007) as 'non-state market driven' (NMSD). Presently, RSPO membership consists of non-governmental stakeholders from across the palm oil value chain. As a consortium of seven major palm oil stakeholder groups, oil palm growers, palm oil processors and traders, consumer goods manufacturers, retailers, banks and investors, environmental and nature conservation NGOs, and social or development NGOs, the RSPO aims "to promote the growth and use of sustainable oil palm products through credible global standards and engagement of stakeholders" (Roundtable on Sustainable Palm Oil, 2016b, p. 1).

As of July 2017, there were 3,444 members of the RSPO, distinguished into three main categories (Roundtable on Sustainable Palm Oil, 2017d):

1. Ordinary members (1,574 members) being organisations directly involved in the palm oil supply chain or associated NGOs. Each ordinary member has the right to vote at meetings of the General Assembly (GA).

---

<sup>48</sup> The fourteen volunteers included: PT PP London Sumatra Tbk, PT AgroIndomas, Daabon Group, IOI Group, Agropalma Group, Golden Hope Plantations Berhad, SIAT Group, Sarawak Land Consolidation and Rehabilitation Authority (SALCRA), PT SMART Tbk, FELDA (smallholders), Boustead Plantations Berhad, PPB Oil Palms Berhad, OPIC, and Kulim (Malaysia) Berhad.

2. Affiliate members (175 members) being organisations or individuals not directly involved in the palm oil supply chain in the various categories of ordinary membership (e.g. PT Sucofindo and PT Mutu Agung Lestari, companies that provide certification service). Affiliate members can attend and participate in meetings of the GA, but without voting rights.
3. Supply chain associates (1,707 members), i.e., organisations that have business activities along the palm oil supply chain, limited to purchasing, using and trading not more than 500 metric tons of palm oil and oil palm products annually.

Present composition of ordinary membership is as follows:

- Oil palm growers: 171 members
- Palm oil processors and traders: 528 members
- Retailers: 65 members
- Consumer goods manufacturers: 733 members
- Banks and investors: 14 members
- Environmental and conservation NGOs: 39 members
- Social and development NGOs: 12 members

From the ordinary membership composition above, it is evident that downstream industries, i.e., palm oil processors and traders, consumer goods manufacturers and retailers, vastly outnumber other groups. This imbalance, which is more or less representative of the industry profile, has been significant in the context of dynamic relations among RSPO members, which is described in the following section.

According to the organisation charter, the RSPO GA is the highest body of the Roundtable (Figure 6-1). It consists of all ordinary members who each have one vote (Schouten & Glasbergen, 2011). The RSPO GA holds meetings annually and decisions require a majority of votes. The 16 members of Board of Governors is the most important management body, comprised of four representatives of palm oil growers and two representatives from each additional category. Governors are elected by the GA for two-year terms. While decision making in the GA is by majority of votes, decisions in the Board of Governors are made by consensus.

The current Board of Governors is comprised of the following members:

1. Oil Palm Growers
  - Malaysia: MPOA
  - Indonesia: Goodhope (PT AgroHarapan Lestari)

- Smallholder: FELDA<sup>49</sup>
- Rest of the world: Agropalma<sup>50</sup>
- 2. Palm Oil Processors and/or Traders
  - IOI Group
  - Aarhus United
- 3. Consumer Goods Manufacturers
  - Mondelez International Inc.
  - Unilever (President)
- 4. Retailers
  - Palm Oil Retailers Working Group
  - Marks & Spencer
- 5. Environmental/Nature Conservation NGOs
  - Conservation International
  - WWF International
- 6. Social/Developmental NGOs
  - Oxfam GB
  - Both ENDS
- 7. Banks
  - HSBC
  - Rabobank International

The Board of Governors is supported by four Standing Committees: Standards and Certification Committee, Trade and Traceability Committee, Communications and Claims Committee, and Finance Committee. Each committee comprises members from the Board of Governors and from among RSPO members.

---

<sup>49</sup> FELDA (the Federal Land Development Agency) is a Malaysian government agency founded to organise smallholder farms growing cash crops (Federal Land Development Authority, 2014).

<sup>50</sup> 'Rest of the world' means producer countries other than Indonesia and Malaysia, as these two countries account for more than 80% of total world CPO production.

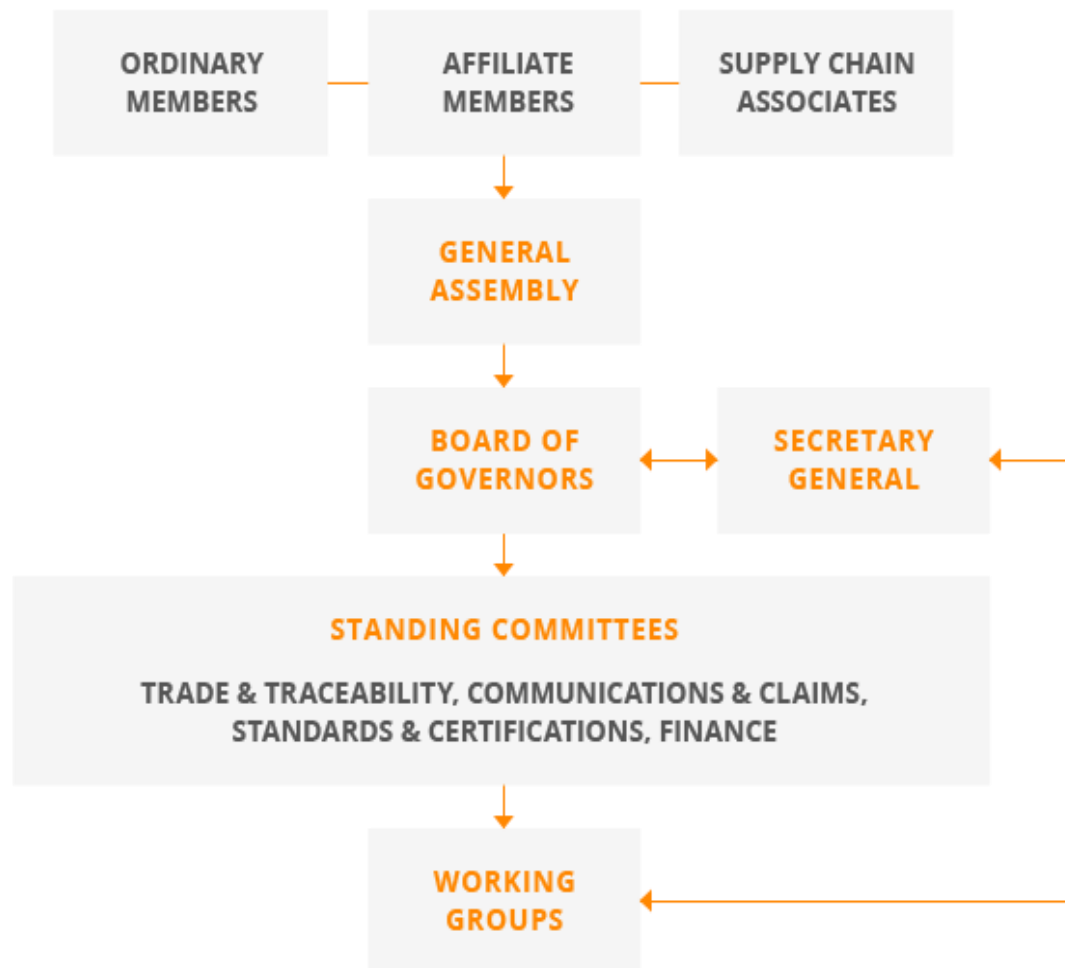


Figure 6-1 RSPO organisational structure

Source: Roundtable on Sustainable Palm Oil (2017c).

### 6.2.3 Dynamics within the RSPO

Establishment of the RSPO was embraced by palm oil stakeholders with great enthusiasm. As the sector was under relentless pressures and scrutiny from international community, the RSPO seemed a good response to counter criticism through development of a sustainability standard. To Indonesian palm oil producers, establishment of the RSPO would strengthen the palm oil sector and provide opportunity to avoid reputational damage and repair their image following consistent attacks by NGOs (Deike, 2015; Schouten & Glasbergen 2011). The Government of Indonesia was initially cautiously optimistic about the new organisation. As Deike (2015) explains, the Government of Indonesia considered the RSPO may improve the reputation of the palm oil sector and provide better market access in Western countries, buoy prices, generate opportunities for development and contribute to more sustainable palm oil production. Thus, establishment of the RSPO appeared to be in the interests of the Indonesian palm oil industry and the government.

In the first three years after establishment of the RSPO, the process seemed to be running smoothly. There were discussions and consensus among members regarding the organisation's administration, without any significant disputes. Topics discussed from the first to third RSPO GA focused mainly on financial issues, establishing working groups and developing a code of conduct for RSPO members. However, smooth operation of the RSPO changed following the adoption of a certification system for sustainable palm oil, the RSPO P&C, at the fourth Roundtable meeting in 2007. Adoption of the P&C triggered intense debate among members, particularly between producers, NGOs and downstream industry members. These debates were a result of different interests between these stakeholder groups. Oil palm growers and traders wanted minimal regulation and intervention. On the other hand, consumer goods manufacturers, retailers, banks and investors were sensitive to consumer demand and pressure regarding sustainability. Environmental and social NGOs, as the primary driving force behind emergence of palm oil governance, hoped that the new structures and procedures would elevate sustainability as a primary organising principle in the palm oil industry. In effect, primary producers balked when the RSPO actually tried to perform the function it was established to achieve.

At the fifth Roundtable meeting in 2008, the WWF proposed a resolution on procedures to assure compliance of new oil palm plantings with RSPO P&C. According to the WWF, the proposal was essentially for a process prior to oil palm plantation development. It was proposed that complying companies should complete environmental impact analysis, monitoring assessment and high conservation value (HCV) assessment and make the relevant documents publicly available on the RSPO website for 30 days prior to initiating clearing or planting activities.<sup>51</sup> This proposal prompted debate among RSPO participants. For example, a representative from PT Sinar Mas disagreed with the proposed resolution as it would be an added burden to growers, noting that the RSPO P&C had just come out in January 2008 and the HCV Toolkit in June 2008. A comment from GAPKI underscored the burden the proposed resolution would impose on members, while claiming that no one was against the idea of raising of standards. However, GAPKI argued that overly onerous standards would discourage new members, while adopting the proposed resolution would not end all criticism of the palm oil sector. The GAPKI spokesperson further added that Indonesia would be unhappy if the proposed resolution was forced upon them, assuming that the resolution was going to pass and the Indonesians would lose as they were outnumbered. GAPKI's objections were not accepted by the majority of members and the Indonesian delegation decided to walk out of the meeting.

---

<sup>51</sup> Minutes of the fifth General Assembly (GA5) of the Roundtable on Sustainable Palm Oil.

At the subsequent RSPO conference in 2009, in Kuala Lumpur, GAPKI and their Malaysian counterpart, the Malaysian Palm Oil Association (MPOA), submitted resolutions opposing the RSPO New Planting Procedures and GHG Criteria (Deike, 2015). However, before vote was taken in the General Assembly, the resolution was withdrawn. It seemed there was debate during the Executive Board (EB) meeting the previous day and the meeting decided to halt the resolutions.

These tensions inevitably affected the relationship between growers, particularly GAPKI, and the RSPO. As the former Chairwoman of ISPO explained:

In the beginning, the RSPO was a really good forum where producers and buyers/consumers agreed to develop sustainable palm oil standards. However, it was unfortunate that along the way this organisation began to invite parties that have no business with producers and buyers/consumers, by that I mean the NGOs. NGOs are becoming more dominant. Hence, it is other parties that dictated how Indonesia should produce palm oil. This situation resulted in a disagreement among the RSPO members (ISPO membuat perusahaan, 2015).

The above statement ignores the fact that it was WWF who put forward the idea to establish the RSPO. Clearly, feelings of being isolated and persecuted are evident. As a GAPKI representative stated, “growers have to deal with a coalition of NGOs, retailers, traders and banks”.<sup>52</sup> This situation, he added, was not conducive for growers to pursue their agendas, as they were always outvoted. Moreover, there was an impression that the Western ‘bloc’ was attempting to interfere in ‘their’ palm oil sector (Deike, 2015), a sentiment that had been evident since the beginning of the RSPO.

With the passage of time, standards and requirements were becoming more stringent, creating additional burdens for Indonesian producers.<sup>53</sup> The responsibility of certification was assigned to palm oil producers, despite numerous other stakeholders being engaged in outlining and drafting the RSPO P&C (Hospes, 2014). Even as the requirements became stricter in order to satisfy the demands of the market, many prominent NGOs continued their attack on the Indonesian palm sector. In the words of Wijaya and Glasbergen (2016, p. 223), RSPO is “only meeting developed countries’ needs, which are favorable for Northern multinationals.”

Indonesian members disagreed with the idea of majority rule, rather than consensus, in decision-making at the RSPO GA as a result of the principle of ‘one member, one vote’. Given that producers

---

<sup>52</sup> Interview with GAPKI on 23 February 2015.

<sup>53</sup> Ibid.

make up only about 15 per cent of RSPO membership, voting would always be skewed against them and they could never win.

Dissatisfied with how the organisation works, in September 2011, GAPKI elected to withdraw its membership from the RSPO. According to a GAPKI representative, they lost faith in the RSPO and saw no added value in continuing their membership. However, GAPKI's official reason for leaving the RSPO was to commit to a new Indonesian national standard, the Indonesian Sustainable Palm Oil (ISPO), launched six months previously. It is imperative to observe that despite the fact that GAPKI pulled back from the RSPO, other Indonesian oil palm corporates continue with RSPO membership. However, GAPKI's withdrawal from the RSPO can be symbolically perceived as a national withdrawal. As GAPKI stated, their withdrawal implies Indonesian palm oil associations no longer politically support the RSPO.<sup>54</sup>

### 6.3 Indonesian Sustainable Palm Oil (ISPO)

#### 6.3.1 What is ISPO?

At the eighth RSPO Roundtable meeting on sustainable palm oil, held in Jakarta in November 2010, the Indonesian Minister of Agriculture was invited to deliver a keynote speech during the opening session. The Minister announced that the Government of Indonesia was preparing the launch of a national standard, called Indonesian Sustainable Palm Oil (ISPO). Four months after the conference, in March 2011, the ISPO was officially established by ministerial decree.<sup>55</sup>

The official reason for establishment of ISPO was that Indonesia needed a national response to the call for sustainable agricultural practices from the international community (Deike, 2015). As a scheme initiated by the Government of Indonesia, ISPO is intended to improve competitiveness of Indonesian palm oil on the global market, while contributing to the objective set by the Indonesian President to reduce GHG emissions and draw attention to environmental issues (Indonesia Sustainable Palm Oil, 2013). This initiative was also intended to protect and promote Indonesian oil palm plantations managed in sustainable manner according to market demands.

A legal argument for ISPO's establishment draws on Article 33(4) of the Indonesian Constitution which states that:<sup>56</sup>

The organisation of the national economy shall be conducted on the basis of economic democracy upholding the principles of togetherness, efficiency with justice, continuity,

---

<sup>54</sup> Ibid.

<sup>55</sup> The Minister of Agriculture Decree No. 19/Permentan/OT.140/3/2011, later superseded by the Minister of Agriculture Decree No. 11/Permentan/OT.140/3/2015.

<sup>56</sup> Interview with ISPO Commission on 27 January 2015.

environmental perspective, self-sufficiency, and keeping a balance in the progress and unity of the national economy.

Unlike the RSPO, which is voluntary and based on a consensus among members, ISPO is a mandatory standard based on existing laws and regulations related to palm oil that together set the standards for producing sustainable palm oil in Indonesia. These standards are derived from more than 137 regulations from different ministries, including Forestry, Environment, Agriculture, Trade, Labour and the National Land Agency (Indonesia Sustainable Palm Oil, 2013). In the former Vice Minister of Agriculture's words, ISPO is "a process of systemising the regulations already in existence".<sup>57</sup> The Minister added that 90 per cent of the requirements set out in the ISPO are already well established.

In practice, the ISPO scheme is implemented through certification of oil palm plantations and mills, based on principles that define and guide sustainable palm oil management. The principles, which draw from the numerous regulations mentioned above, are as follows:

1. The plantation licensing and management system;
2. The application of technical guidelines for palm oil cultivation and processing;
3. Environmental management and monitoring;
4. Responsibility towards workers;
5. Social and community responsibility;
6. Empowering the community economy; and
7. Sustainable business improvement.

As an agency under the Ministry of Agriculture, ISPO is run by a Commission that is assisted by a secretariat and a number of technical coordinators, plus an assessment team (Figure 6-2). ISPO reports directly to the Minister. The main task of the ISPO Commission is to encourage and facilitate the palm oil business sector towards more sustainable production. Functions of the Commission include:<sup>58</sup>

1. To consider and make decisions regarding the granting, refusal, maintenance, suspension and withdrawal of recognition to domestic and foreign certification bodies to conduct the ISPO certification in Indonesia;
2. To consider and make decisions regarding the granting, refusal, maintenance, suspension and revocation of ISPO certificates to the oil palm plantations in Indonesia;

---

<sup>57</sup> Interview with former Vice Minister of Agriculture on 29 January 2015.

<sup>58</sup> Appendix I, the Ministry of Agriculture Decree No. 19/Permentan/OT.140/3/2011



3. To facilitate cooperation with relevant domestic and foreign parties (both government and private) in order to obtain the recognition of ISPO certification in international markets, including the European Union (EU), the US Environmental Protection Agency (EPA), Malaysia, the RSPO, the Roundtable on Sustainable Biofuel (RSB), and Global Bio-Energy Partnership (GBEP);
4. To manage the ISPO certification system; and
5. To report to the Minister of Agriculture regarding the management of Indonesian Sustainable Palm Oil.

The above list of ISPO Commission functions suggests that the Commission is the most important element in the organisation. The Commission has significant responsibilities and exerts considerable authority. As described by Nanggara, Rosalina, Kartika and Setyawan (2017), the Commission has authority for establishing components within the organisation and issuing decisions on certification results.

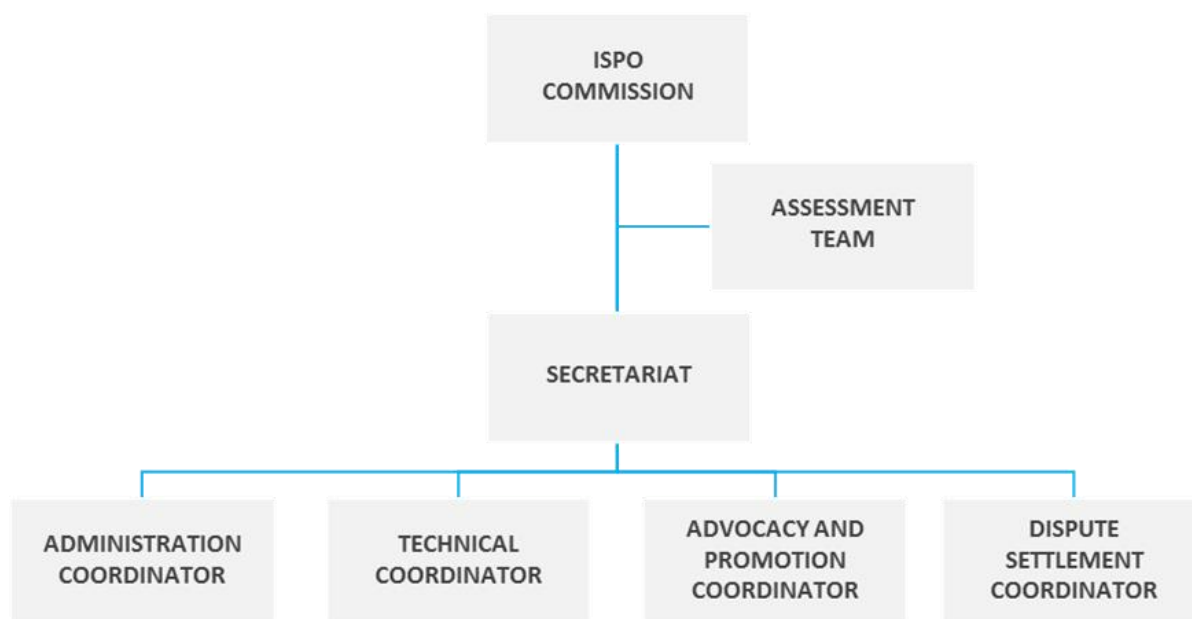


Figure 6-2 ISPO organisational structure

Source: Appendix I, the Ministry of Agriculture Decree No. 4235/Kpts/OT.160/10/2011

The certification process is conducted by independent auditors, or certification agencies, accredited by the National Accreditation Committee (*Komite Akreditasi Nasional*/KAN) and recognised by the ISPO Committee.<sup>59</sup> As of April 2017, 266 palm oil companies had received ISPO certification (Nugrohou, 2017). The number is small considering there are

<sup>59</sup> Currently, there are seven certification agencies recognised by the ISPO Committee, namely PT Mutu Agung Lestari, PT TUV Nord Indonesia, PT SAI Global Indonesia, Sucofindo International Certification Services, PT TUV Rheinland Indonesia, PT Mutu Hijau Indonesia and PT SGS Indonesia.

approximately 1,600 palm oil companies operating in Indonesia. As stated by the Director General of Plantations Ministry of Agriculture (*Perusahaan sawit tanpa*, 2015), there are several reasons for slow ISPO uptake, i.e., most companies have difficulty complying with some criteria pertaining to the legality of plantations (permits and land titling), also business management issues, social responsibility and/or environmental aspects of the certification process.

Failure to comply with ISPO regulations and principles results in companies facing sanctions from the government, ranging from downgrading plantation class<sup>60</sup> to revocation of the company business license. Downgrading plantation class would create difficulties for companies attempting to sell their products in the international market.

#### 6.4 Comparing the RSPO and ISPO

This section further examines distinct aspects of the RSPO and ISPO, based on the above explanations regarding basic differences between the organisations. First, in terms of establishment, the RSPO is an organisation formed by representatives of palm oil international stakeholders without government involvement. In other words, the RSPO was exclusively established by market players along with NGOs. In comparison, ISPO is an organisation founded by government, under the Indonesian Ministry of Agriculture. Second, RSPO membership is voluntary. That is, palm oil stakeholders are not obliged to participate in the organisation. However, official members, especially oil palm plantation companies, must comply with the organisation's P&C. In contrast, ISPO membership is mandatory for all oil palm plantation companies operating within the territory of Indonesia, i.e., mandatory in the sense that companies are required to be certified under ISPO's certification process. As mentioned previously, failure to comply with ISPO certification results in sanctions for the oil palm plantation, much like licensure processes. Third, in terms of the formulation of P&C, in the RSPO, P&C are discussed and developed based on consensus among stakeholders. Conversely, ISPO's P&C are composed based on various regulations from a number of pre-existing government agencies. The formulation of the ISPO P&C was driven by an inter-ministerial committee under the backing of the Ministry of Agriculture. However, the committee did not extend their cooperation to include Indonesian or international NGOs in multi-stakeholder panel discussions for drafting the ISPO standard (Hospes, 2014). In this regard, no open discussion forum is available for other palm oil stakeholders to contribute to ISPO P&C formulation. Fourth, in terms of

---

<sup>60</sup> According to the regulation, plantations are divided into five classes: Class I (very good), Class II (good), Class III (adequate), Class IV (low), and Class V (very low). If a plantation has been downgraded into Class IV, it is very likely that the company's license will be revoked. The classification of Class I to V plantation, in addition, is based on several aspects, such as legality, plantation management, processing, social, regional economy, environment and reporting.

membership structure, RSPO's committee consists of members from seven different stakeholders from different palm oil organisations. On the other hand, ISPO does not offer any form of committee membership. Lastly, in relation to management systems, the RSPO is managed by a Board of Governors with membership drawn from representatives of each stakeholder group, while ISPO is managed by a commission whose members are senior ministry officials and representatives of pertinent associations (GAPKI and DMSI).

The differences between the RSPO and ISPO lead to the conclusion that the RSPO is a form of hybrid environmental governance, due, as mentioned in Chapter 3, to its collaborative structure between private sectors and NGOs, although without any government involvement. As Gulbrandsen (2010) stated, the RSPO is an embodiment of non-state environmental governance. In contrast, ISPO is structured based on a form of state-centric environmental governance, where, as explained in Chapter 3, the state plays a dominant role in regulating and managing the standardisation process (P&C), without involvement from other stakeholders. Table 6-1 presents a summary of key criteria comparing the RSPO and ISPO organisations.

Table 6-1 Comparing RSPO and ISPO

	RSPO	ISPO
Organisation	Global representation from different stakeholders, excluding governments.	Agency under the Ministry of Agriculture.
Legality	Voluntary.	Legally binding/mandatory based on Ministry of Agriculture regulation.
Principles and Criteria	Consensus among stakeholders. Eight principles and 39 criteria.	Straightforward, based on existing regulation. Seven principles and 29 criteria.
Membership	Members are divided into seven stakeholder groups	No membership.
Management	Managed by a Board of Governors, consists of representatives from all stakeholder groups.	Managed by a Commission, consists of government officials (Echelon I), Indonesian Palm Oil Association and Indonesian Palm Oil Board.

In addition, as Wijaya and Glasbergen (2016) explain, there are several differences between RSPO and ISPO with regards to environmental governance. For example, the RSPO observes High Conservation Value (HCV) and refers to the international regulations as guidance for implementation, while ISPO does not explain the term in detail, which opens up possibilities for diverse interpretations during implementation.

To better understand Indonesia's resolution to withdraw from the RSPO and advance with the reverse approach of state-based administrative framework, it is important to consider pertinent aspects of Indonesia's political culture and history, which are discussed below.

## 6.5 Neo-corporatism and sovereignty: emergence of the ISPO

Indonesia's *de facto* withdrawal from the RSPO and establishment of the ISPO was a retrograde step that runs contradictory to established best practice approaches to environmental governance. This section unpacks the motivation behind Indonesia's decision. First, we address the extremely close relationship between palm oil companies and the Indonesian government, through the lens of neo-corporatism. Next, the discussion moves to examination of sovereignty as a concept and the role it plays in this phenomenon, particularly the doctrine of Permanent Sovereignty over Natural Resources (United Nations resolution 1803 (XVII) of 14 December 1962).

### 6.5.1 Neo-corporatism and the role of GAPKI

To understand the role of GAPKI in establishment of the ISPO, it is useful to first consider the concept of corporatism from the perspective of political history in Indonesia, particularly from the New Order era (1968-1998) through to the '*reformasi*' and post-*reformasi* eras (1998-present). Across this five-decade period, Indonesia transitioned from an authoritarian and centralised state to a more open system of government. A key strategy that predominated in Indonesian politics throughout this transition is corporatism, which defines a particular configuration of state-society relations. The forms and practice of Indonesian corporatism transitioned throughout this period, from authoritarian corporatism to a neo-corporatist approach.

As discussed at length in Chapter 3, corporatism is a particular method or instrumentality of governance, in which major societal groups are integrated into the governmental system, under state patronage or guidance and usually on a monopolistic basis, to achieve coordinated national development. Corporatism is particularly relevant to this examination as it helps describe power relations, the roles of civic, community and business associations and their engagement with the state, and the outcomes of state, private sector and civil society interactions in policy formation and day-to-day governing. This discussion focuses on how business associations influence government policy. In particular, this exploration is important to understanding the role and influence of the oil palm producer association (GAPKI) in the evolution of the ISPO.

Much has been written on Indonesian politics, particularly the New Order era, describing the concentration of state power. Works by King (1982), Reeve (1985), MacIntyre (1989, 1994), Robison (1993), Wiarda (1997) and Porter (2002), among others, present Indonesia under President Suharto as a particularly cogent example of authoritarian corporatism. This section briefly traces the

evolution of corporatist strategies adopted by the Indonesian government, from the New Order through to the post-Reformation era, to establish a context of state-business relations in the palm oil sector in Indonesia, and how ISPO came into being largely due to pressure from large palm oil producers.

#### *From authoritarian corporatism to neo-corporatism*

To understand the roots of corporatism practices in Indonesia's New Order, it is necessary to look further back into the socio-political history of Indonesia, beginning with the turbulent post-independence period of the 1950s. The young nation was struggling economically and wracked by political instability.<sup>61</sup> During the tumultuous early days of Indonesian democracy, Indonesian society was fragmented into a vast array of political groups, each with their own grass-roots mass organisation. Each major political community or party had its own peasant organisations, labour unions, youth movements, literary and social movements, as well as women's organisations. These groups were being mobilised as the young government grappled with political and economic uncertainty (see for example Hadiz, 2005).

In this chaotic situation, President Sukarno delivered his '*Konsepsi*' speech in February 1957 and introduced what he called 'Guided Democracy' (*Demokrasi Terpimpin*) as an alternative to the 'liberal' democracy that prevailed in western countries (MacIntyre, 1989). According to Sukarno, the Guided Democracy concept was a better form of representation that was 'truly Indonesian' in character, in that it represented the Indonesian national personality and Indonesian values (Feith, 2006; Reeve, 1992). According to Reeve (1992), Indonesian values in this concept, imbued a corporatist or integralistic vision of the state developed by Indonesian nationalist intellectuals. Sukarno asserted that the Indonesian state must be an organic unity, a great collectivity, a harmonious and interdependent whole, and political institutions in Indonesia should reflect and impart such values.

This corporatist vision was subsequently strengthened to become a dominant characteristic of political and social life during the militaristic New Order regime that came to power after the overthrow of Sukarno's Guided Democracy. As MacIntyre (1994, p. 1) states, "corporatism has been a central feature of political life throughout the New Order period, serving as a guiding principle for government efforts to organise and control political representation. A key difference between the chaotic nation building Sukarno era and the New Order period that followed was that while in the former, each major political group mounted its own array of affiliate grass roots organisations,

---

<sup>61</sup> Between December 1949 and March 1957, Indonesia was governed by seven different cabinets. For a good overview of Indonesian politics in the post-independence period see for example Feith (2006).

whereas during the New Order period this sort of pluralist system was replaced by a much more highly structured, centrally mandated and controlled, model”.

Subsequent to the fall of Sukarno following the failed coup of the Indonesian Communist Party (*Partai Komunis Indonesia*) in 1965, General Suharto and his new administration, mainly military, were wary of the reprise of mass-based political mobilisation (MacIntyre, 1994). To cope with this situation, the new government developed new a corporatist strategy. Having learned from past experience, under guidance of Suharto’s closest aide, General Ali Moertopo, the New Order implemented strict control over civil society forces (see Moertopo, 1981, p. 194-233). This strategy denied channels for political participation to less controllable institutions, i.e., political parties, and reallocated political participation to various state-designated functional organisations. As a result, scope for public or civic participation was significantly narrowed and the state exerted powerful influence over formation and communication of public policy. In exchange for loyal adherence to state doctrine, leaders and members of anointed ‘functional groups’ enjoyed the benefits of state patronage along with a largely symbolic ‘place at the table’ in policy formulation. MacIntyre (1994) explains that the main objective of this strategy was to disengage the link between political parties and society. This strategy is characteristic of newly established governments which have risen to power in the context of a major political crisis. According to Stepan (1978, p. 47):

If the new state elites have any aspiration to rule by hegemony rather than by coercion, they will need to provide the new institutional arrangements with ample normative justification. The strongest philosophical tradition that can be mined to provide a rationale is organic statism.

Robison (1993) explains that the notion of organic statism, or integralist state, was the ideological basis of Suharto’s authoritarian government. The main characteristic of organic statism, borrowing Robison’s (1993, p. 42) words, is:

Its functional concept of social structure and organisation and its view of the state as transcending particular vested interests within society but embodying its common interests.

As an initial step in adopting the ‘floating mass’<sup>62</sup> corporatist strategy, numerous mass organisations were banned or abolished, with those remaining amalgamated into new ‘functional groups’. The idea

---

<sup>62</sup> The ‘floating mass’ was an idea introduced by General Ali Moertopo in his work ‘Accelerated modernisation of 25 years development’ (Moertopo, 1973). As explained by Lane (2004), the core of the ‘floating mass’ approach was to facilitate a condition in which the mass population would not participate in politics apart from casting their votes in the general election every five years. Political organisations were prohibited from opening branches in villages and rural residential communities. Such method was deemed compatible with the

of functional groups was key to the corporatist strategy, in which society was represented by singular social groupings identified by their particular roles in the public space. Each group served a vital function and groups supplemented each other. Disagreement, rivalry or animosity had no ground in such an arrangement (Lane, 2004). The most prominent functional group was Golkar, a powerful political machine (which its leaders steadfastly refused to call a 'political party') formed by fusing over 60 organisations affiliated with the armed forces and state bureaucracy.<sup>63</sup> The name Golkar translates as 'functional group'. Golkar was established in the mid-1960s, initially as the Joint Secretariat of Functional Groups (*Sekretariat Bersama* or *Sekber* Golkar). Supported by the military, officially Golkar was established not as a political organisation, but rather as an affiliation or alliance of functionaries who would serve as Suharto's political vessel to promote and implement socio-economic transformation at all levels of society. Reeve (1985) states that Golkar played a crucial role as a political apparatus in mobilising societal associations in accordance with the corporatist method of representation.

At the grass root level, participation in decision-making was restricted to various state-sponsored unitary national organisations representing particular populations, such as labourers, peasants, fisherman, youth and women.<sup>64</sup> The government paid particular attention to these sectors as each had been a source of radicalism in the past. Subsequently, this corporatist strategy extended over a range of social interests. As a result, numerous associations emerged and became the sole representative organisation for particular social and economic sectors or particular social interests (MacIntyre, 1994), and most were members of Golkar (Lane, 2004). These corporatist organisations were fostered and co-opted by New Order leaders, keeping in mind the end goal was to guarantee popular support. The regime's involvement was not limited to co-opting leaders of corporatist

---

'corporatist' concept, as the logic behind this concept was, in the event that every functional group was performing cooperatively, that political activity was superfluous. The fundamental duty as a citizen was fulfilled by performing a function under the membership of a certain functional group.

<sup>63</sup> Literally, Golkar, or *Golongan Karya*, translates as 'functional group'. Even though its leaders steadfastly claimed not to be a political party, Golkar nonetheless regularly won an overwhelming majority of national and regional elections throughout the New Order period. Beginning in the *reformasi* period after 1998, Golkar transitioned to become the 'Golkar Party', and had to compete on a more even field with scores of other national parties.

<sup>64</sup> These organisations include:

- the Indonesian Farmer Association (*Himpunan Kerukunan Tani Indonesia/HKTI*) established in 1973,
- the Indonesian Fisherman Association (*Himpunan Nelayan Seluruh Indonesia/HNSI*) established in 1973,
- the Indonesian National Youth Committee (*Komite Nasional Pemuda Indonesia/KNPI*) established in 1973,
- the Indonesian Labour Federation (*Federasi Buruh Seluruh Indonesia/FBSI*) – now also known as Indonesian Labour Confederation (*Konfederasi Serikat Pekerja Seluruh Indonesia/KSPSI*) established in 1973, and
- the Indonesian Women's Congress (*Kongres Wanita Indonesia/KOWANI*) established in 1974.

associations, it also determined each association's plans of action and political orientations (Hartono, 2011).

Although in theory functional organisations were granted a deliberate representational monopoly within their particular categories (Schmitter, 1974) and in formal terms such corporatist institutions were significant advisory and consultative bodies, in practice they were peripheral to real power (MacIntyre, 1989). Indeed, Indonesian corporatism is less concerned with interest representation than with state control and social discipline (Robison, 1993). As MacIntyre (1989) elaborates, the actual task of these functional groups, who in theory acquired a representational monopoly, was to absorb and contain demands of the social groups they represented, while serving the interests of government political strategists rather than serving the interests of client groups by seriously promoting their demands to policy makers. As such, the functional groups did not constitute a bargaining instrument between society and state (Robison 1993), rather they were a means of social and political control (MacIntyre, 1989). In addition, they also served as an effective form of social reproduction. By way of active endorsement of 'cadre-isation' process, indoctrination and fostering future leaders, such 'mass organisations' were the springboard for members to gain power and rank in the subsequent New Order society and government. In summary, there was barely a space for functional groups to convey their interests, let alone influence government policy. As MacIntyre (1990) argues, even if such influence occurred it was on the basis of a patrimonial relationship, which usually only benefits individuals, rather than broader social or economic groupings.

During the first decade of the Suharto era, Indonesia experienced rapid and sustained economic expansion due to two major oil price hikes in the 1970s. The steady growth resulted in growing importance of the private sector and, at the same time, the emergence of middle-class groups (business communities). Hence, there was growing demand from these groups toward stability, rationality in regulation and promotion of a favorable investment climate, and they expected their demands to be heard (MacIntyre, 1989).

A significant change of relations between the state and private sector in Indonesia unfolded following the end of first oil boom in 1982 and the oil price collapse in 1986, coupled with a steep drop in prices for many primary export commodities, as an international economic downturn led to a recession in the Indonesian economy (MacIntyre, 1990). As the country was very much dependent on oil revenues, the sudden drop of oil prices meant that private sector performance became crucial and, as such, the private sector played an important role in the Indonesian economy. Consequently, the state could no longer ignore private sector concerns and business leaders were becoming more



confident in dealing with policy makers. MacIntyre (1990) describes that, at this time, some sectors of the business community were becoming more organised and more independent, i.e., becoming better placed to project their demands into the policy process. As such, beginning in the late 1970s and early-1980s, Indonesia experienced a gradual shift in its corporatist approach from tighter control, political exclusion and limited societal inputs, towards a more liberal corporatist approach where civil society could exert some influence on government policy-making processes.

A number of business affiliations were established during this time, for example Indonesia Food and Beverage Association (established in 1976), Indonesia Palm Oil Association (1981), Association of Indonesia Forest Concession Holders (1983) and Indonesia Plywood Exporters Association (1984). Most were spearheaded by individuals with close links to the President or his cabinet. However, unlike the 'first wave' of functional groups developed in the early years of New Order administration where they functioned more as government agents, these later associations served two functions, representing the New Order form of standardisation and vertical social construction, and as *partners* to government within their particular domain. Around the same period, a few influential functional or professional associations were founded as a part of this 'later wave' that were essentially a materialisation of Indonesian style grass-roots democratisation, such as the Consumers' Association, the Doctor's Association, the Environmental Association and the Legal Aid Institute (MacIntyre, 1989). However, it is worthwhile to note that the influence exerted by these functional groups was still limited as the government continued to dominate decision-making processes. A notable exception was the Indonesia Plywood Exporters Association (Asosiasi Panel Kayu Indonesia/APKINDO), an organisation formed and led by Suharto's close ally, Mohammad Bob Hasan. APKINDO had control over Indonesian plywood export deals, capacity, pricing and other crucial arrangements. In a relatively short period, APKINDO came to exert near total control over key government ministries, especially Trade and Forestry (Gunawan, 2004).<sup>65</sup>

Following the fall of Suharto and his New Order regime in 1998, Indonesia experienced a significant change in the socio-political landscape. A prominent change was the decentralisation process in which regional government exercised greater power and authority. Moreover, there was also a dramatic change in the relationship between the Indonesian state and non-state actors, such as the business sector and civil society. When a country moves from authoritarianism toward democracy,

---

<sup>65</sup> Hasan was implicated in a number of court cases following Suharto's fall in 1989. He was among the first of Suharto's cronies put on trial. On 2 February 2001, he was incriminated for embezzling US\$ 75 million from the funds belonging to the Ministry of Forestry. He was found guilty by the court and sentenced of two years imprisonment.

the forms and practice of corporatism also transition. The more collaborative, democratic forms that emerge in such a transition are called neo-corporatism (Wiarda, 1997).

As Indonesia shifted from an authoritarian regime to more open forms of government, state-society relations also morphed into a more neo-corporatist form. In this model, as explained in Chapter 3, the state focuses on harmonious decision-making, while seeking to directly engage various interest groups in decision-making and policy implementation processes. In contrast with the Suharto period where the President was the centre of power and influence, in the post-1998 period several new actors assumed ever-increasing roles in policy-making processes. Such interest groups progressed to a level where they gained rights to be heard before policy decisions were made (Hartono, 2011).

What needs to be emphasised in terms of state-business relations in Indonesia, is that throughout the New Order period Suharto consolidated power through sophisticated webs of patronage and patrimonialism, an excellent example of authoritarian corporatism, and surrounded himself with a limited number of trusted business owners (Johansson, 2014), while leaving no or restricted room for interest groups to influence the process of decision-making. In comparison, during the post-*reformasi* period corporates and associations gained more autonomy and freedom from control by a solitary power. They instead engaged themselves with various elites, including those at the regional level. Furthermore, the process of democratisation during this time enabled corporate interest groups to actively contribute their voices in government policy-making processes.

Despite the major changes that have taken place since 1998, a small corporate elite still exerts a powerful influence over the socio-political landscape in contemporary Indonesia. As argued by Fukuoka (2012), not much has changed in terms of how dominant interests interact with the state. Access to government apparatus and its resources remains the main path to private wealth accumulation. Suharto's corporatism remains well preserved in contemporary Indonesia and Indonesia's neo-corporatism model continues to provide opportunities for specific interest groups or business associations to become more influential in policy-making processes. In short, patronage networks remain active and vital in modern Indonesia. The political landscape of post-Suharto neo-corporatist Indonesia is far more complex than before, but many of the same norms and mechanisms still pertain.

In the case of Indonesian palm oil, GAPKI, the interest group acting as a representative of palm oil conglomerates, deftly maneuvered to gain an important position and role Indonesian palm oil policy-making and execution. GAPKI's success in gaining such an important role was due mostly to the organisation's prominent and powerful members, as noted in Chapter 5, which comprised of influential individuals with close connections to high-level members of Indonesian Parliaments who

are also heavily invested in preserving the present state of affairs in the oil palm plantation sector. Additionally, aside from prominent figures from large oil palm plantation corporations – who are also influential entrepreneurs on their own behalf – a number of retired high-ranking government officials were also elected as members of GAPKI's advisory and executive boards.

Personal connections also develop between oil palm plantation companies and retired government officials (Hospes, 2014). Often, large Indonesian palm oil companies hire retired high-level government officials as counsels or board members to act as proxy with the state and provide 'admonitory and brokage capacities' in the interests of the organisation as required (Varkkey, 2016). Such individuals are hand-picked specifically for the posts, mostly for their particular political connections. This is a fundamental component in patronage politics, and widely practiced in the oil palm sector. Similarly, the Indonesian oil palm plantation corporate Duta Palma is 30 per cent owned by the Indonesian military, which implies that numerous influential military officers serve some kind of position within the organisation (Varkkey, 2016).

As noted by Raffiudin (2015), many large palm oil companies got their start in timber or related forest product industries during the New Order period. They have retained close links to government through the subsequent period of political and economic transformation. Since the decentralisation process that began in 1999, they have also invested heavily in local politics and politicians, enmeshing regional officials in webs of patronage and indebtedness. This often includes bankrolling candidates in local legislative and executive elections. Often, they form partnerships with or bring in active or recently retired local politicians as managers or community or government liaison officers (Varkkey, 2016).

Corporatism in Indonesia has become much more of a two-way transaction. Whereas New Order era state corporatism was about delivering state mandates and messages (and patronage), in contemporary Indonesia, some corporatist groups exert considerable influence over government policy and practice. Varkkey (2016) goes so far as to suggest that government departments are 'subjugated' to industry interests.

Along with GAPKI, corporatism in the palm oil sector is evident in establishment, in 2000, of the Indonesian Palm Oil Farmers Association, APKASINDO. In the classic model of New Order-era top-down corporatism, APKASINDO was 'endorsed and guided' by the Ministry of Agriculture, as mentioned in Chapter 5. Although the foregoing discussion stresses that the forms and practices of corporatism in Indonesia evolved during the post-*reformasi* period, APKASINDO provides a clear example how old forms are still reproduced. As governance in Indonesia evolves, old systems and relationships continue to re-emerge and reform.

### *GAPKI and the emergence of the ISPO*

GAPKI, as mentioned previously, is an influential business association with the capability to affect regulations that impact palm oil grower interests. GAPKI's mandate is to promote viability and profitability of member businesses. As such, it represents the economic interest of its members (Jillson, 2009) and aims to influence government policies on behalf of the industry (Watts, 2007), GAPKI's primary partners in achieving its goals are state institutions, in particular the Ministry of Agriculture. GAPKI describes itself as the government's partner that has been provided input and advice in formulating government's policies on palm oil issues (GAPKI, 2016a) and the voice of the industry.<sup>66</sup> As such, GAPKI is a prime example of modern Indonesian corporatism.

GAPKI representatives frequently participate in Ministry meetings. For GAPKI, such meetings are important because they provide information regarding government views and initiatives in the palm oil sector. At the international level, GAPKI representatives are routinely included in the Indonesian delegation attending bilateral Sub Working Group on Palm Oil (SWGPO) meetings with the Malaysian government. Through its relationships with the Ministry of Agriculture, GAPKI has opportunity to convey oil palm grower interests and provide input into decision-making processes in such a way that these interests are taken into account.

GAPKI uses different channels to influence government policy, including public media and their website. They use media effectively to voice the interests of their members. On their website, GAPKI actively expresses concern on various issues, such as the government moratorium on new oil palm plantation development, defending themselves from attacks and accusation by NGOs, as well as commenting on other social and environmental issues. Another channel to communicate palm oil industry interests is through conferences and seminars. GAPKI holds an annual conference where representatives from national and regional governments, in particular high-ranking officials from the Ministry of Agriculture, are invited. The conference is also attended by national and international palm oil stakeholders and relevant industries, including engineering and construction companies, environmental and green industries, human resource development organisations, consulting firms, investment banks and financial institutions, oil processing and distribution companies, telecommunications information technology, transportation and logistics, environmental management and waste and water management (Indonesia Palm Oil Conference, 2017). The aim of the conference is to keep palm oil stakeholders updated with the latest issues and market trends, as well as discuss government regulations and policies.

---

<sup>66</sup> Interview with GAPKI on 23 February 2015.

Despite GAPKI's artifice regarding its intimacy with government, the Ministry of Agriculture continues to provide strong support to the palm oil sector. This is evident, for instance, in national moratorium on oil palm plantation expansion endorsed by the Ministry of Environment and Forestry. The moratorium is an implementation of Indonesia's commitment to reduce GHG emissions and provide time for the government to improve spatial planning and policy to support sustainable growth in the oil palm plantation sector. While the Ministry of Agriculture, as an organ of the Indonesian government, supports this policy, it clearly strives to weaken, undermine or circumvent the policy. Some former high-ranking Ministry of Agriculture officials have gone public in their opposition to the moratorium (Laoli, 2016).

Establishment of the ISPO shows how GAPKI has effectively leveraged its close relationship with government to put pressure on the government. Despite claiming the ISPO was an Indonesian government initiative based on concern for palm oil sustainability, it is difficult to surmise that the government considered establishing the ISPO without instigation from oil palm plantation owners. Indeed, GAPKI has admitted to being one of the initiators of the ISPO.<sup>67</sup> As previously mentioned, Indonesian producers were troubled by the evolving situation within the RSPO, especially regarding stringent standards which, according to them, were difficult to implement in Indonesia.<sup>68</sup> Due to these strict requirements, developing countries may view certification schemes as a means of discriminating against their products (Wijaya & Glasbergen, 2016). Raffiudin (2015) explains that the situation worsened for Indonesian palm oil producers when the RSPO decided to add Renewable Energy Directive (RED) requirements to the RSPO standards to comply with European Union (EU) RED standards.<sup>69</sup> GAPKI opposed this decision as it perceived this as yet another burden on producers. At that time, GAPKI lobbied the Indonesian government to establish its own national standards. The government accepted GAPKI's initiative to establish new Indonesian palm oil standards. As previously mentioned, during the RSPO annual conference in 2010, the Indonesian government stated the intention to establish its own standards, and the ISPO was officially launched the following year. Thereafter, the subsequent withdrawal of GAPKI from the RSPO can be considered *de facto* Indonesian national withdrawal from the RSPO. This demonstrates that GAPKI acted as an emissary of the Indonesian government in repudiating its support and compliance from the RSPO.

---

<sup>67</sup> Interview with GAPKI on 23 February 2015.

<sup>68</sup> For example of comparison between the RSPO and ISPO standards see Rahmawati (2013).

<sup>69</sup> The EU RED (Directive 2009/28/EC) is a policy for production and promotion of energy and renewable sources in the European Union (EU). All EU countries must ensure that at least 10% of their transport fuels come from renewable sources by 2020, while the sources must achieve a particular standard. The RSPO-RED requirements were designed as a voluntary add-on to the RSPO standard, and the scheme allows palm oil producers and processors under certain conditions to comply with requirements in the EU Directive. Accordingly, palm oil producers and processors can sell their products in EU.

Meanwhile, the situation on the ground continues to evolve. Small and medium-size oil palm plantations have become the fastest growing segment of the industry and the leading edge of oil palm expansion in Indonesia. Post 1998, the Indonesian palm oil sub-sector embarked on 'laissez-faire' stage, which, in accordance with the dominating decentralisation policies during that period, involves re-direction from a developmental method to a neoliberal and market-driven approach (Budidarsono et al., 2014). Several studies show that there has been a proliferation of independent oil palm smallholders from the early 2000s, driven by the industry's high returns on investment (see Budidarsono et al., 2014; Li, 2015; Sirait, 2009). The primary groups driving this new wave of smallholder-led expansion include regional government authorities, provincial political figures, military, police officers, some migrants and individual local elites. Along with potential high profit, the palm oil sector attracts these investors because of the relative ease of obtaining oil palm plantation establishment permits (Sirait, 2009). Although accurate data is unavailable, most observers estimate the average holding size for such investors is between 10 to 20 ha, although some can be as large as 300 ha (Li, 2015).

As a result of decentralisation, the central government no longer has the same level of direct control over the expansion of oil palm plantations as it once did. As explained previously, decentralisation has provided provincial governments substantial authority over permitting processes, including forest utilisation and plantation permits – a function formerly controlled by central government. Pursuant to the Regulation of the Minister of Agriculture of 2013 on Plantation Establishment Permits, regional governments were given significant authority in granting permits for plantation establishment, including location permit, permit to establish plantation (IUP) and permit to establish processing plantation (IUP-B). For plantations located in a regional district, permits are processed by the office of ruling regent (Governor or *Bupati*). An exception is the permit to utilise the Forest Zone, which requires forest release permits issued by the Ministry of Environment and Forestry. For GAPKI, the new players in palm oil sector have less authority and only limited representation. However, the palm oil industry landscape continues to evolve and GAPKI may become less important or influential due to ascendency of smallholders.

### 6.5.2 Sovereignty

The concept of sovereignty holds an important place in a state's political discourse and policy formation, particularly so in Indonesia. This concept has been at the heart of Indonesia's statehood, from the early struggle for independence to the current era where sovereignty emerged as a powerful underlying theme in Indonesia's international political discourse, including in the nation's experience with environmental governance regarding sustainable palm oil (and sustainability more generally). Sovereignty is clearly at play in Indonesia's engagement, or non-engagement, with non-

state international actors, such as the RSPO and subsequent establishment of ISPO. In order to understand the role of sovereignty in the politics of palm oil in Indonesia, it is crucial to first examine sovereignty as a concept.

Although the archetype of sovereignty as a theory first emerged in Europe around 16<sup>th</sup> century (see for example Bartelson, 1995; Nagan & Haddad, 2012), the current concept was formulated primarily by international relations (IR) scholars. This section provides a general overview of IR discourse on sovereignty. There are several major perspectives within IR discourse, namely realism, liberalism and constructivism. Each of these perspectives has its own assumptions on how sovereignty is understood. For instance, the essence of sovereignty for realists is the state's ability to make authoritative decisions, while for liberalists sovereignty is defined in terms of the state's ability to control actors and activities within and across its borders (Thomson, 1995). For constructivists, sovereignty comes from 'someplace' and is profoundly influenced by social norms and practices (Lake, 2003). Despite the different assumptions underlying these perspectives on sovereignty, they hold several key themes in common, i.e., 1) autonomy, 2) independence/self-regulating, 3) non-interference, and 4) spirit of resistance. Each common theme of sovereignty is discussed below.

#### *Autonomy*

Each sovereign state is autonomous. In this sense, according to Krasner (1999, p. 45), a sovereign state "is free to choose the course of action that will best serve its own national interest". Viotti and Kauppi (2013) argue that the exercise of sovereignty is a right claimed by a state to exercise complete jurisdiction, power or authority, internally or within its territory and externally, to act independently or autonomously in the conduct of its foreign affairs. Furthermore, Heywood (2004) argues that sovereignty involves a claim to exercise legal authority. This type of legal authority is based on the idea that ultimate and final authority resides in the laws of the state. Consequently, it is unacceptable that there is a higher authority above the state. Thus, the state should hold supreme authority, including authority to enter into agreements with other states in a manner which may delegate, or derogate, some of that authority.

#### *Independence/self-regulating*

Sovereign states are subject to no other authority, remain independent, and are therefore free from external control over their internal and external affairs. Hans Morgenthau, a prominent scholar of International Relations, explained this in his seminal work 'Politics among Nations', arguing that:

The statement that the nations are the supreme authority – that is, sovereign within a certain territory – logically implies that it is independent and that there is no authority above it. Consequently, each nation is free to manage its internal and external affairs

according to its discretion. The individual nation has the right to give itself any constitution it pleases, to enact whatever laws it wishes regardless of their effects upon its own citizens, and to choose any system of administration (Morgenthau, 1948, p. 245).

According to Waltz (1979, p. 96), “to say that a state is sovereign means that it decides for itself how it will cope within its internal and external problems, including whether or not to seek assistance from others”. This author further explains that states “develop their own strategies, chart their own courses, make their own decisions about how to meet whatever needs they experience and whatever desires they develop” (Waltz, 1979, p. 96). Again, these decisions may include decisions to enter into agreements with other states or non-state entities in order to collaborate on issues of international concern and such agreements may, by their very nature, bind or prohibit member states to or from certain actions.

### *Non-interference*

Another important constituent of sovereignty is non-interference. As Milojević (2000) indicated, sovereign states have the freedom to exert authority over their particular jurisdictions. The jurisdictions conform to the state’s power internally and acknowledge that other states should not intervene in it. Wendt and Friedheim (1996) imply the fundamentals of sovereignty serve as the basis for states to focus on their own affairs and withhold from interfering in the business of other states. Furthermore, Fowler and Bunck (1995) add that a state’s sovereignty signifies its supreme power over its territory along with its right to be free of interference. As a consequence, in the field of transnational politics, ‘interference or intervention’ has become a point of reference in interactions between states.

Coe (2015, p. 278) relates the term non-interference with the principle of ‘exclusive domestic jurisdiction’, stating that:

States have exclusive jurisdiction over their domestic affairs, and it therefore is inappropriate for outside actors to concern themselves with these affairs. When outside actors do inquire about, take positions on, or attempt to affect the course of domestic events and political process, this is interference.

Coe (2015) further explains that interference by outside actors *assuming jurisdiction* over domestic affairs in certain respects is a flagrant disregard of a state’s sovereignty. Hence, prohibition of intervention is “corollary of every state’s right to sovereignty, territorial integrity and political independence” (Jennings & Watts, 2008, p. 429).



The expression 'interference or intervention' is generally used to describe undertakings carried out by one state to another state. However, more recently the term has been more extensively used and often applied to illustrate activities of non-state actors, or outside actors (Coe, 2015), over a particular state's governance. For example, interference by international financial institutions, such as the IMF and World Bank, in a state's economic policy. It is here that the discussion of sovereignty interacts with the discourse of power relations and balance of power. When there is a large power disparity between parties to an international agreement, or in situations of economic or political dependence, the claim of the weaker party to full sovereignty is often called into question.

### *Spirit of resistance*

A theme that also emerged in discussion of sovereignty is the spirit of resistance. According to Voruz (2002), sovereignty can manifest itself as a form of resistance. The concept of resistance literally means to stand against. Routledge (1997, p. 361) describes resistance as "any action imbued with intent that attempts to challenge, change or retain particular circumstances relating to social relations, processes and/or institutions".

It is important again to note that discussion of sovereignty and resistance are closely linked with the discourse of power relations and balance of power. Genuine sovereignty implies equality between claimants. Where equality is absent, relations of power invariably emerge. For instance, Foucault emphasises that resistance is always present in relations of power, it is not considered relations of power without the existence of resistance (Edkins & Pin-Fat, 2004). Foucault formulates it simply as "where there is power, there is resistance" (Foucault, 1994 as cited in Edkins & Pin-Fat, 2004, p. 5). Moreover, sovereignty owes its sustenance to the balance of power existing between states (Petric, 2013). The balance of power in the relationship between more than one state allows suppression of hegemony and tyranny by a certain state from one central power, in which denial of sovereignty of other states are avoidable. Subsequently, Petric (2013) explains that in the pursuit of preserving sovereignty the fundamental element in maintaining identity as an independent state, by means of foreign policies, states often consent to committing acts of resistance against opposing endeavours from other states or organisations determined to enforce power and authority. In addition, sovereignty serves as a stronghold against foreign invasion (Spiro, 2007). Consequently, resistance materialises to repel any attempts of being subjugated to international regulations or treaties, which do not otherwise benefit national aspiration.

### 6.5.3 Sovereignty in Indonesia

Before proceeding with discussion of the ISPO, this thesis now turns to Indonesian views of, and experiences with, sovereignty (*kedaulatan*). Nearly all political discourses and state affairs of many post-colonial countries are influenced by the concept of sovereignty. Indonesia epitomises such a country. Therefore, sovereignty has a profound meaning for the people of Indonesia as a nation that endured a long history of colonialism. The concept of sovereignty emerged during the struggle for independence, when it was imbued with notions of anti-individualism, anti-liberalism and anti-capitalism, as these were deemed to be contrary to an idealised Indonesian national character (Asshiddiqie, 1994). The nation's independence struggle culminated in proclamation of independence by Soekarno and Mohammad Hatta on 17 August 1945. According to Yamin (1982), the Declaration of Independence was a manifestation of freedom, marking the starting point of 'Indonesia's Revolution', dedicated to establishing an independent and autonomous sovereign state imbued with uniquely Indonesian values and characteristics.

An effective method to comprehend the concept of sovereignty in Indonesia is, among others, to analyse the undertakings and works of the nation's founding fathers. One of the most prominent figures in Indonesia's independent movement and 'Founding Fathers of the Republic'<sup>70</sup> is Mohammad Hatta, the first Vice President of Republic of Indonesia. In his seminal work, 'Towards the Independence of Indonesia' (*Ke Arah Indonesia Merdeka*), written in 1932, Hatta outlined his concept of national principles and the fundamentals of 'nationalism' (*kebangsaan*) and 'democracy' (*kerakyatan*). 'Towards the Independence of Indonesia' contains formulation of the structure of Indonesia as a country and its political and economic systems which were planned to be executed in the newly independent Indonesia (Widjaja, 2002). Moreover, his work was a proposal for the future of Republic of Indonesia, as well as a platform of power in shaping the future of Indonesia (Swasono, 1990).

In his writings, Hatta asserts that no independence movement can be effective without the spirit of nationalism:

The principle of nationalism implies that Indonesia's independence can be attained primarily by the efforts of the Indonesian people themselves without relying on foreign assistance. That is to say, national spirit is the guideline (for such efforts). Any fate befallen to the people of Indonesia, either good or bad, and the steps taken to improve

---

<sup>70</sup> Some scholars even appointed him "the Father of the Founding Fathers of the Republic".

the fate must be based on the people's own determination and conducts, not based on any directives from outsiders (as cited in Swasono, 1990, p. 21).

Hatta further explained that:

... The principle of democracy implies that sovereignty belongs to the people. (In a society) where the sovereignty belongs to the people, the law relies on the sense of justice and the integrity existed in the hearts of the mass, and the rules of livelihood strives to provide superlative living quality and happiness. Such sovereignty is the principle of all civilised men, and every nation has the right to self-determination ... (as cited in Swasono, 1990, p. 17)

The (Indonesian) concept and the phrase of "sovereignty of the people" are thought to have been developed by Hatta, which subsequently reappeared 13 years later as Article 1 of the 1945 Constitution: "Sovereignty belongs to the people, represented entirely by the People's Consultative Assembly". Sovereignty aspired to by the people, according to Hatta, is a society that retains political and economic independence. Further, Hatta states that the sovereignty of Indonesia is different to Western sovereignty (Hatta refers to J.J Rousseau's *Volkssouvereiniteit*) (Widjaja, 2002). The former relies on the communal spirit (*koletivitet*), while the later leans toward the spirit of individualism. According to Hatta, the exercise of individualism as a principle of Western democracy is the cause of its imbalance. Western democracy exists only in terms of politics and rights, while in the fields of economy and social interaction autocracy remains dominant. Common people are left to shoulder the burden of capitalism and industrialism. The Indonesian democracy - the original democracy existing in Indonesian villages - exercises an integralistic paradigm as opposed to an individualistic paradigm. With an integralistic point of view, in the relations between society and the individual, the interests of society as a whole (integral unity) take precedence (Swasono, 1990).

Another figure maintaining a similar mindset to Hatta was Supomo, a professor of indigenous law (*hukum adat*). Supomo, an avid promoter of a state established based on original Indonesian values pertaining to individuals and society, succeeded in laying the groundwork to promulgate those concepts. His views provided a ground-breaking platform for pursuit of the contemporary Indonesian approach to sovereignty. Furthermore, Supomo conceptualised the 'village republic', an idea of Indonesia as a state with a structure and ideology based on the concept of a utopian Javanese village (*desa*) where segregation between the ruling class and its subjects is indiscernible.

Supomo perceived that Indonesian *adat*, or custom, stands in opposition to the concepts of individualism and individual rights prevalent in Western states. Supomo further narrated the perception of *aku* (I, the self) in Indonesian culture incorporates the entire community of which the

individual is a part, whereas the common Western expression of 'I', the first-person singular nominative case personal pronoun, refers exclusively to the individual (Rahardjo, 1994). Inside the core of Indonesian society, confrontation based on a disagreement is uncommon, as theoretically there exists no contention between the self and the community. Instead, there exists a profound sense of communal identity. In contrast, the relationship between the individual and community and between the individual and the state practiced in the West gives the impression that shielding individuals from the state is a necessary measure of precaution. As a result, Western legal frameworks are planned around this bifurcated outlook.

In 1933, Sukarno wrote an essay entitled 'Achieving an Independent Indonesia' (*Mencapai Indonesia Merdeka*) that discussed Indonesian indigenous democracy, which Sukarno coined socio-democracy. The ideas of socio-democracy have many commonalities with Hatta's idea of people's sovereignty. According to Sukarno, Indonesian democracy should be a new democracy, a true democracy, a real democracy of the people's government, not a democracy based on European and American values.<sup>71</sup> Indigenous democracy in Indonesia is a political and economic democracy focusing entirely on political and economic affairs of common people. Sukarno further explained that with such structure of political and economic democracy, *Marhaen*<sup>72</sup> is capable of establishing a genuine Indonesian state of people, a state whose political and economic affairs are carried out by the people, with the people, for the people, a republican political system entirely subservient to people's concerns. Sukarno's socio-democracy is an absolute democracy arising from the spirit of *Marhaen*'s anti-capitalist nationalism and imperialism, a form of popular nationalism he termed socio-nationalism. Sukarno considered only socio-nationalism would be capable of generating socio-democracy and that other forms of nationalism are ineffective and incapable of developing socio-democracy.

In the mid-1950s, Sukarno made attempts to embody this socio-nationalism by launching a nationalisation program, as mentioned in Chapter 2. The program to nationalise foreign companies was in his view an attempt to develop economic sovereignty with the spirit of anti-imperialism and colonialism. For Sukarno, imperialism and colonialism were the primary agents responsible for causing such a fertile, rich and refined community to suffer from destitution (Sutaryo, Jaya, Swasono, Baswir, & Prijambada, 2015). Implementation of the nationalisation of foreign companies, primarily

---

<sup>71</sup> In his early writing in 1926, Sukarno emphasised that Indonesian nationalism is an Eastern nationalism, not Western nationalism. Western nationalism, according to Sukarno, is an aggressive nationalism, a nationalism focused on pursuing its own selfish interests, a commercial nationalism obsessed with profit and loss. Sukarno, thus, believes that Western nationalism will surely end in defeat, will certainly end in its own destruction (McVey, 1970)

<sup>72</sup> *Marhaen* is a term used by Sukarno to name the individuals of Indonesia who live not as labourers, but also not as employers. He is neither proletarian nor capitalist nor bourgeois. He is self-reliant or *berdikari* (*berdiri di atas kaki sendiri*) - standing on his own feet (Wasesa, 2016).

targeted to enterprises owned by the Dutch, was a manifestation of delayed economic sovereignty. The main objective of such nationalisation was to ensure that all resources in Indonesia could be exploited and enjoyed by the people of Indonesia themselves. Sumitro Djojohadikusumo's statement, which emphasised the need for claiming the national economy back to the hands of the Indonesian nation itself, was another corroborative argument pertaining to nationalisation policy at that time. He explained, in order to secure future economic development, the post-colonial national economy was in dire need of a new economic structure achievable by acquiring national ownership of economic resources (Sutaryo et al., 2015).

Nationalism has invariably been a quintessential ingredient of Indonesian politics and international governance since independence (Sukma, 2012). Aspinall (2015) discusses nationalism in Indonesia arguing that nationalism has an important role linking individuals to their respective communal history and the genesis of their nation. In relation to Indonesia, the genesis of this nation mainly hinges around opposition movements against Dutch colonial despotism and oppression. Such early struggles against the Dutch are the primary source of myths, symbols and jargon that still define Indonesian nationalism.

In spite of persistent anti-colonialism beginnings, nationalism in Indonesia has developed different characteristics depending on historical period, mostly as the result of changing political objectives. As Aspinall (2015) argues that under President Sukarno's Guided Democracy leadership (1957-1966), during the initial twenty years of Indonesian independence, nationalism by and large leaned towards the left and aimed at concluding incomplete anti-colonial revolution missions (mainly nationalisation program of Dutch companies and bringing 'freedom' to Papua). In contrast, under ruling of the New Order, Suharto promoted a more politically conservative nationalism. Indonesian nationalism at that time functioned chiefly as motivational concepts to propagate the regime's preservation and legitimization. The leaders of this period were not concerned with accentuating the revolutionary substance of Indonesia's past nationalists, yet they sustained its symbolic representations and jargon. Rather, they propagated a rendition of nationalism focusing on an Indonesian national 'identity' based on harmony and communal goals as opposed to past struggles and personal rights.

In contrast with the regimes of Sukarno and Suharto when the practice of nationalism was arbitrarily regulated by the ruling state, the post-reformation period is marked with the exercise of nationalism without government domination. As Sukma (2012) explains, nationalism is now integrated into foreign policy intentionally by different political participants, in many diverse forms and for various objectives. Yet, current Indonesian nationalism draws numerous features from this historical heritage, notably in the aggressive anti-colonial vocabularies frequently used in anti-foreign

sentiments in relation to economic and financial investments (Aspinall, 2015). In fact, as Aspinall (2015) argues, such contemporary nationalist narratives strike as being antiquated, as though plucked directly from the past contextual background and transferred unfiltered into the present. Contemporary nationalism has a particular characteristic, a fixation on the idea that different foreign forces constantly foist corrupt and antagonistic plans on Indonesia. In his seminal work, 'Indonesian Foreign Policy and the Dilemma of Dependence', Weinstein (1976) illustrated Indonesian beliefs that the outside world is essentially exploitative, controlled by powers in pursuit to enslave the nation. Therefore, Indonesians are intensely sensitive to foreign invasion, to the point they consider economic relationship with a more dominant foreign agent will only result in their subjugation.

As Sukma (2012) explains, political decision-making constantly tends to reproduce consolidation of national insecurity and distrust of foreign parties. The most remarkable demonstration of nationalism, particularly in foreign policy, is evident in Indonesia's intense susceptibility to any issue concerning creditability and national political and economic independence on the global stage. There is a continuing notion that a ruling power, particularly the US, is determined to dominate Indonesia by engaging in economic suppression and political provocation. Such a notion can also be construed as xenophobic or paranoid, with a strong dose of persecution complex.

The notion among Indonesians that they are defenceless against divide and rule tactics practiced by dominant foreign forces keen on corrupting and oppressing Indonesia for their own benefits materialised in formulation of the 'Archipelagic Outlook' (*Wawasan Nusantara*) doctrine (Sebastian 2006). It is a potent state-building concept, which effectively facilitates the nation to embrace the idea of a united Indonesia, comprising of Indonesia's vastly spread islands and societies as a single integrated country joined by the sea. Predictably, authority over territorial seas and its substance is firmly controlled at the national level, considering that the seas define the quintessence of Indonesia as a united country politically, economically and in terms of national defence. As an ideology, *Wawasan Nusantara* was formulated to advocate the concept of the nation as an entity with unilateral political, socio-cultural, economic and security autonomy (Supriyanto, 2016).

According to Ford and Lyons (2009), *Wawasan Nusantara* has been vital to Indonesian statehood and nation building, in as much as the idea of Indonesia is affirmed with definite territorial borderlines enveloping land (*tanah*) and water (*air*). The archipelagic concept first materialised shortly after the post-independence period, during which Indonesia's pioneering figures were confronted with the challenge of inspiring Indonesians to consider themselves a unified nation. Upon resolving this issue, the concept of an Indonesian nation was amplified and rearranged through a spectrum of ideologies, including *Wawasan Nusantara*. Through the Juanda Declaration of 1957 this idea was initially

proposed and earned further legality after Indonesia's status as an archipelagic state gained recognition under the United Nations Convention on the Law of the Sea (UNCLOS). The concept of archipelagic statehood generally focused on securing national territorial integrity (that is, more oriented to the outward sphere). However, *Wawasan Nusantara* is concentrated around internal progress of national unification in an archipelagic state defined by ethno-linguistic diversity. Nonetheless, both the archipelagic concept and archipelagic nation are fundamentally linked, as each depends on the other for legal acceptance. Paramount to both concepts is the conviction that the seas play a major role in unifying Indonesia's islands and the people living on them.

The above discussion suggests that the concept of sovereignty in the Indonesian context has never been straightforward, nor without contradictions. For example, the notion of resistance being an important element of sovereignty, comes into conflict with the notion of nation unity when it is the people of Timor Leste doing the resisting. Likewise, the notion of Timor Leste having claim to sovereignty in its own right disrupts the map of the Archipelagic state that is (was) Indonesia. Similarly, the political ideal of sovereignty is disrupted when Indonesian claims to undisputed control over its forests and arable land territories are called into question by the rights of surrounding states to remain free from forest and peat-fire smoke and haze, as well as by broader international claims to cooperate in the name of a sustainable environment for future generations.

#### 6.5.4 Sovereignty, RSPO and ISPO

The sovereignty argument has been deployed by the Indonesian palm oil sector to justify opposition to Indonesia's involvement in the RSPO. Planters' representatives have argued that the Indonesian government should refuse to be dictated to by foreigners following adoption of the RSPO P&C in 2007. Their premise was that through the RSPO, Western processors, buyers and NGOs were beginning to dictate how Indonesian producers should produce palm oil:

The RSPO gave the impression that the other party is the one who wants sustainable palm oil, as if Indonesia is being dictated by that other party. This is not acceptable. We have to show the stakeholders that this for our own good that we have to chart our certification system.<sup>73</sup>

In the eyes of Indonesia's major palm oil producers, representation of downstream industries and NGO members of the RSPO had grown to represent the Western case, rather than interests of the industry as a whole (Deike, 2015). In a speech at an RSPO meeting in 2010, Indonesia expressed its displeasure at being patronised by the RSPO. In the eyes of Indonesian producers, a once promising

---

<sup>73</sup> Interview with former Vice Minister of Agriculture on 29 January 2015.

and economically beneficial venture, that could help restore the image of Indonesian palm oil, had morphed into a tool of Western interests. In this view, non-state actors, such as the RSPO, are useful as long as they do not disrupt interests of the sovereign state. Therefore, Indonesia's attitude is to disregard non-state actors when Indonesia's own perceived self-interests are at stake.

Indonesia realises and admits that within the process of palm oil production, certain processes and structures remain socially problematic and not environmentally friendly.<sup>74</sup> Yet, Indonesia claims that its problems within the palm oil sector should be handled exclusively by Indonesia. The argument is that sustainable oil palm is in Indonesia's best interest, as Indonesia has the most stake in protecting its own environment.<sup>75</sup> To overcome this national problem, the Indonesian government took the initiative to establish the ISPO. As it is based on existing laws and regulations, the ISPO is considered more appropriate for implementation in Indonesia.

In terms of autonomy or self-government, the Indonesian government initially considered joining the RSPO could favour their interests, despite giving up some autonomy by sharing authority to regulate palm oil with international non-state actors. Yet, as concern over foreign interference in Indonesia's palm oil sector grew, Indonesian producers and the government began to question their own authority. According to Wijaya and Glasbergen (2016), private certification schemes may threaten developing countries' governments because of perceived repression of their national sovereignty. Moreover, they may sense that private standards and certifications are a stratagem of developed countries. An official of the Indonesian Palm Oil Council exclaimed, "we have to think why the largest palm oil producer in the world since 2006 is being ruled by the buyers? How come the consumer is the one who regulates it?"<sup>76</sup> In this view, the logic and discourse of international trade is trumped by concerns of national sovereignty. In GAPKI's view:

RSPO promoted the idea that they have authority to create the regulations and that the regulations have to be followed. Then the question becomes where is Indonesia's sovereignty in this case. What if the Indonesian government reinstates its authority in this matter supported by the palm oil industry and backed up by the government regulations?<sup>77</sup>

Clearly, ISPO is an attempt by Indonesia to regain a sense of control and authority over its palm oil sector. Through the mandatory ISPO, the government is the primary actor that possesses the right and authority to determine and implement principles and criteria of sustainable palm oil. Failure to

---

<sup>74</sup> Ibid.

<sup>75</sup> Ibid.

<sup>76</sup> Interview with FP2SB on 21 August 2015.

<sup>77</sup> Interview with GAPKI on 23 February 2015.



comply with ISPO certification results in sanctions from the government. There is no substantial need for non-state actors, in particular foreigners, to be involved in Indonesia's palm oil governance.

In their enthusiasm to reassert sovereign control over the palm oil sector, ISPO's creators went beyond excluding international palm oil stakeholders. ISPO harkens back to an earlier epoch of Indonesian resource governance, where virtually *all* external stakeholders – NGOs, smallholders, indigenous and forest farming communities, plantation labourers – are denied opportunities to participate in policy decision-making or implementation. The sole exception is large palm oil businesses, through their corporatist channel, GAPKI.

According to Cashore (2002), a state uses its sovereign authority to force compliance, thus removing external-audience evaluations as important explanatory factors in the granting of rule-making authority. Thus, the marginalisation of such stakeholders in the ISPO Commission illustrates the reluctance of the Indonesian government to surrender any of its monopoly on authority.

ISPO leaders and supporters in government are quick to point out that due to a fortuitous combination of climatic, geological and geographical factors, Indonesia is uniquely situated to produce the highest-grade palm oil, compared to lower grade products yielded by countries in Africa and South America.<sup>78</sup> Oil palm grows exceptionally well in tropical regions between 15 degrees north latitude and 15 degrees south latitude of the equator. As explained by Pirker and Mosnier (2015), oil palm thrives in a variety of tropical soils and countries throughout the equatorial zone. Southeast Asia, Indonesia and Malaysia, with high temperatures and constant precipitation, ideal climates for oil palm cultivation. Indonesia is a perfect location to cultivate oil palm and has approximately 47 million ha of land suitable for oil palm plantation.<sup>79</sup> This 'natural leverage' adds some *gravitas* to Indonesia's claim for exclusive rights to oversee all aspects of its domestic palm oil industry:

Palm oil is gift from God for the Indonesian people. We do not need foreigners to determine how we manage our natural resources. Such interference can be perceived as a different type of conquest.<sup>80</sup>

Independent of the motivation, Indonesia has the exclusive right to determine its own domestic affairs, including overseeing the nation's palm oil industry. Furthermore, Indonesia has never insinuated the need for assistance from foreign agencies in this particular sector, thus any form of unsolicited involvement from foreign agencies is construed as intervention.<sup>81</sup> As previously indicated,

---

<sup>78</sup> Interview with FP2SB on 21 August 2015.

<sup>79</sup> Ibid.

<sup>80</sup> Ibid.

<sup>81</sup> As mentioned in Chapter 5, the World Bank invested heavily in supporting Indonesia's palm oil industry during the early years of the development.

Indonesia came to view the RSPO as nothing more than a proxy for Western actors. Subjection of Indonesia to the onerous nature of the RSPO's extensive regulations and procedures was seen as an obvious attempt by Western business to infiltrate management of the Indonesian palm oil sector. Such an attempt would present a form of interference. To reiterate, Indonesia does not need foreigners to determine the management of its natural resources. Interference by external actors is unacceptable and a breach of Indonesia's sovereignty.

Recalling earlier discussion of the spirit of resistance as a common theme in sovereignty discourse, ISPO can be construed as a form of Indonesia's resistance against foreign agencies meddling in its affairs. This resistance emerged for two reasons. Firstly, in response to the RSPO's perceived unfair treatment to Indonesian palm oil producers.<sup>82</sup> The ISPO was established deliberately as a response to RSPO standards which, from the standpoint of Indonesian palm oil stakeholders, placed an unequal burden on producers which in turn could weaken this economically vital sector of the Indonesian economy (Deike 2015). Secondly, the resistance materialised as a result of grower dissatisfaction over a perceived lack of appreciation from the RSPO:

Growers have tried to follow the standard accordingly, yet they did not receive the appropriate amount of incentive. Instead, attacks from the NGOs remained.<sup>83</sup>

As explained previously, GAPKI's withdrawal from the RSPO was due to growing doubts over advantages of RSPO membership, notably when they acknowledged that even after oil palm plantations were certified, such plantations were still subject to negative campaigns by international NGOs. The case of Musim Mas is instructive. Musim Mas was among the first Indonesian companies to receive RSPO certification, nevertheless, they were still subjected to criticism from NGOs. As such, Indonesia felt that it could no longer rely on the RSPO to protect its interests. Thus, the ISPO emerged as a challenge to NGO and private sector driven palm oil governance.

Indonesian palm oil producers and the government officials with whom they have historically close ties could not see the logic in ceding control over production processes to foreign interlopers. By this logic, Indonesia's management capacity and bargaining position are strengthened by withdrawal from a voluntary international forum, perceived to be dominated by enemies of the oil palm, and reclaiming sovereign control over this vital and substantial enterprise.

The day after Indonesia's annual Independence Day celebration in 2017, the GAPKI website posted an article expressing GAPKI's dismay over the treatment of Indonesian palm oil after 72 years of

---

<sup>82</sup> Interview with FP2SB on 21 August 2015.

<sup>83</sup> Interview with Sawit Watch on 28 January 2015.

independence. In the article, entitled 'Free Indonesian Palm Oil from Colonial Practices' (*Merdekakan Sawit Indonesia*, 2017), GAPKI argues that colonialist norms and practices continue to shape trade policies of industrialised and developing countries, and nowhere is this more evident than in the Indonesian palm oil industry. According to GAPKI, this manifests in several ways, particularly as discriminatory treatment of Indonesian palm oil in international markets, unfair treatment of Indonesia as a result of foreign arrogance, the insidious practice of establishing and supporting local accomplices (i.e., Indonesian NGOs and environmental organisations) to support Western hegemonic objectives and the provocation of conflict in pursuit of a '*divide et impera*' agenda. The tone of the compact 540-word article (in Indonesian) is as follows:

First, the discriminatory treatment of palm oil. The EU treats palm oil differently from other vegetable oils such as rapeseed and sunflower oil. Sustainability certification is required for palm oil, but not for other vegetable oils, when in fact, WTO standards and regulations require equal treatment of like products, regardless of origin. Second is the arrogance and hypocrisy. The EU and the US accuse Indonesian oil palm plantations of being major sources of carbon emissions. Whereas the International Energy Agency's 2016 annual report shows that the US and EU carbon emissions (5.2 and 3.2 gigatons, respectively) are among the highest in the world, whilst Indonesia emitted only 0.4 gigatons. The EU and US continually criticise the extent of forest fire and loss in Indonesia, as though such things never occurred in the EU or US. In fact, forest fires consumed 350,000 ha in Europe, whilst the annual figure in the US is 2.2 million ha. In Indonesia, fires only destroyed 64 thousand ha of forest area. GAPKI's third charge refers to the practice of supporting accomplices in Indonesia. This is similar to practices during the colonial period, when Dutch rulers and industrialists groomed and employed *comprador* accomplices. Today this is occurring in Indonesia, targeting national palm oil businesses. The West expends a tremendous amount of money financing anti-oil palm NGOs whose job is to run negative campaigns on palm oil to sway public opinion. Recent EU resolutions targeting palm oil imports are a direct result of this cooperation between [neo-] colonialist organisations cooperating with their Indonesian lackeys. And finally, there is the issue of divide and conquer. Colonialists and imperialists have been doing this for centuries. In Indonesia today, enemies of palm oil are egging on anti-palm NGOs and community groups, agitating in local communities to provoke conflicts with plantations. The establishment of the IPOP (Indonesia Palm Oil Pledge) a few years ago – which was eventually disbanded by the government – was a blatant attempt to separate the five biggest palm oil companies from the rest of the group.

The above quoted article serves as a ringing example of GAPKI's ongoing animosity toward and rejection of any sort of meddling or criticism, deeply rooted in the verdant soil of nationalism and national sovereignty. Palm oil and Indonesia are conflated in their view. Indonesia must defend its sacred right to grow and export the golden oil at all cost. The RSPO-ISPO saga also makes clear that GAPKI speaks for the Indonesian Ministry of Agriculture, in a powerful example of corporatist governance that pertains in many segments of Indonesian society and economy.

It is clear that Indonesian palm oil producers and the government have strong feelings about sovereignty over palm oil, and what they perceive as external threats against it. Thus, establishment of the ISPO can be considered an attempt by the Government of Indonesia to reclaim its authority, the right to make its own decisions within its own national borders, and above all as a statement of sovereignty over natural resources in Indonesian territory. This unconditional sovereignty is evident in the decision by Indonesia to not seek international recognition for ISPO.<sup>84</sup> Under Indonesian law, every company that operates in Indonesian territory is obliged to have ISPO certification. Rather than plea to other states to accept the ISPO standard, Indonesia made it known that accepting ISPO is the only way for the international community to help make the Indonesian palm oil sector become more sustainable, while at the same time acknowledging Indonesia as an equal partner in politics and trade (Deike, 2015). Moreover, as Deike (2015) explains, as a sovereign state, Indonesia asserts the right to be accepted and have international support in their attempts to pursue sustainability according to their own definition and according to their own needs.

#### 6.5.5 Permanent Sovereignty over Natural Resources

The traditional Westphalian concept of sovereignty, as discussed above, embodies the notion of state control and dominion over natural resources within its territory. This view is unequivocally endorsed in the 1962 United Nations General Assembly Resolution 1803 (XVII) pertaining to Permanent Sovereignty over Natural Resources (PSNR). Archived in the UN Library under the rubric 'decolonisation', this document obliges states and international organisations to strictly and conscientiously respect the sovereignty of peoples and nations over their natural wealth and natural resources in accordance with the Charter of the United Nations and principles contained in the resolution (United Nations, 2017).

As Schrijver (1997) explained, initially introduced in the United Nations forum, a state's legal authority or PSNR was a concept first conceived to empower emergent post-colonial nations to regain full privileges to manage their natural resources, and to restrict, or in some cases abolish, unfair exploitation conflicting with resource sovereignty, a repudiation of the colonial and imperialist

---

<sup>84</sup> Interview with former Vice Minister of Agriculture on 29 January 2015.

practices of the past. This author further described that, as a political instrument, the permanent sovereignty doctrine emerged as a response to conflicts that surfaced during the decolonialisation process, for example the nationalisation of Dutch companies in Indonesia in the 1950s. Such events were one manifestation of nationalist political campaigns taking place in newly independent nation states on several continents, coinciding with attempts spearheaded by newly emerging states to attain economic self-determination and create a New International Economic Order. According to Hofbauer (2009, p. 55), self-determination is “the right of the peoples to enjoy the freedom of authentic self-government”.

In Indonesia, this was a time of intense political ferment, spearheaded by nation building efforts of Sukarno and assorted founding fathers. The nationalists’ grand vision was to throw off the shackles of colonial and imperialist oppression and exploitation, and forge a new, just and prosperous society steeped in traditional Indonesian values and norms. Refashioning Indonesia’s agrarian law was a crucial effort in this transformation, replacing the European legal framework established to expedite extraction of Indonesian natural resources for European profit with a framework that could facilitate development of Indonesia’s natural wealth for the welfare of all Indonesian people. International negotiations on PSNR coincided with Indonesia’s efforts to redefine resource sovereignty (Schrijver, 1997). Today, this concept remains a fundamental and largely uncontroversial platform of underpinning international accords across a variety of issues, empowering developing nations in their pursuit of self-determination and economic independence, respect and human rights, equitable and favorable exploration of natural resources, nature conservation and attaining sustainable development (Schrijver, 1997).

In the context of Indonesian palm oil, it seems that the principles of PSNR are mobilised to provide justification for increased state control over the sector within Indonesia’s national territory, demonstrating that this discourse remains relevant today. However, it needs to be taken into account that the principle itself is not absolute, and in exercising PSNR states are bound to a suite of duties and obligations. These obligations include respect for the rights and interests of indigenous peoples, cooperation for international development, conservation and transboundary environmental issues, respect for international law and fair treatment of foreign investors and obligations (Schrijver, 1997).

## 6.6 Discussion and conclusion

The RSPO and ISPO, two co-existing schemes of palm oil governance, emerged as a response from palm oil stakeholders with the same objective of seeking solutions to negative repercussions of oil palm plantation expansion, and achieving sustainable palm oil through standardisation and

certification. Both schemes share a number of similarities in their respective principles and standards. However, they are strikingly different in terms of organisational structures and modes of operation. The RSPO, as a voluntary non-state palm oil governance initiative created by private sector actors in cooperation with environmental NGOs, a form of hybrid governance. On the other hand, ISPO is an embodiment of state-centric palm oil governance, established entirely by government initiative.

As illustrated in Chapter 3, hybrid governance involves participation from diverse actors, and emerged as a response to the growing need for new forms of governance to support and promote sustainable development (Delmas & Young, 2009). Realisation that the complexity, convoluted nature and grand scales of ecological issues faced by modern society cannot be effectively resolved by a single actor led to the establishment of various forms of hybrid governance (Lemos & Agrawal, 2006). In contrast, state-centric governance relies chiefly on hegemonic authority of states formulating and implementing policies they see to be in their national interests (Haas, 2008). In this regard, states are the primary driving force of standardisation processes and governance inside, and outside, of national jurisdictions (Djelic & Sahlin-Anderson, 2006). With regard to environmental governance, a state-driven approach alludes to sovereignty of nation-states and their ability to manage processing and utilisation of domestic assets within their national boundaries, as well as interstate or multilateral agreements or pacts (between states) pertaining to specific environmental issues.

The precursors leading to the Indonesian government decision to establish ISPO and for GAPKI to withdraw from RSPO membership are interesting phenomena as they appear to run counter to current trends and accepted best practice in environmental governance. This study proposes sovereignty and neo-corporatism as two key concepts that illuminate reasons the Indonesian government and Indonesian palm oil producer associations determined to go it alone with their own national sustainable palm oil standard at a time when the multi-stakeholder RSPO was beginning to achieve legitimacy and success. Concepts of sovereignty and neo-corporatism, each shaped by Indonesia's unique history and geography, combine to create a specific situation that has allowed the country to chart a path that runs counter to current global trends, norms and forms of environmental governance.

As mentioned in the discussion of sovereignty, the RSPO and ISPO, scale of production, significant natural potential, promise of lucrative financial returns and potential for future expansion are the primary inducements, and primary justification, for the Indonesian government to justify retaining exclusive control over palm oil-related matters within its territory. This assertion, fully endorsed by

domestic stakeholders, is legitimised by referring to the sovereignty trump card. Backlash, criticism or resistance from international NGOs, businesses, governments or international agencies may strengthen Indonesia's resolve to 'go it alone', and are seen as proof that outside stakeholders do not share or support Indonesia's prerogatives or interests.

The state-centric approach to the ISPO is derived from experiences of the colonialisation era. As explained by Hadi (2005), anti-colonial sentiments, also defined as the Western anti-liberalism bias (due to Western liberalism considered by most as the basis of Western colonialism expansion) culminated during the nation's struggle for independence, generating an idiosyncratic view strongly rooted in Indonesian intellectuals regarding the important role of the state in abolishing negative effects of liberalism and bringing social justice to reality. As for natural resources, another factor contributing to state-centric approaches was a shift of control over land and natural resources from local communities to a national administration (Nomura, 2006). During the Dutch occupancy, the aim was to efficiently exploit natural resources for the benefit of the colonial ruler. Such an approach was followed by the successive government after gaining independence.

After independence Guided Democracy prevailed during the Sukarno era which cast a strong foundation to facilitate state roles in 'strategic' sectors of the Indonesian economy (Hadi, 2005). This is supported by Article 33 of the 1945 Indonesian Constitution that positions the state as controller of natural resources and grants the state a full mandate to exploit natural resources for the greatest prosperity of the people. Moreover, as stated in the previous section, the movement started by the Sukarno government, to nationalise companies owned by the colonial ruler in the late 1950s, was both a form of nationalism and manifestation of the concept that necessitates state involvement at all levels of the economic domain.

Along with exercising state-centric systems in domains such as economy and politics, a state-centric approach was also adopted for dealing with environmental issues (Nomura, 2006). Political culture derived from a state-centric approach was then reflected in several aspects of environmental governance, notably a top-down command and control regulatory style. Command and control regulation essentially is a regulatory approach where the government commands certain regulations (e.g., by setting particular standards) and controls how these regulations are achieved (Cole & Grossman, 1999). Failure to comply with regulations may result in sanctions from the authority. According to Baldwin, Cave and Lodge (2012), the strengths of command and control regulation are that the force of law can be used to impose fixed standards and to forbid activity not compliant to such standards. This is how the ISPO operates as mandatory palm oil governance.

As Holley (2017) argues, in a state-centric approach, governments are somewhat confident of their thorough understanding of environmental issues, competency to analyse issues ahead of time and capacity to manage them by adopting mandatory regulations. In certain situations, state-focused approaches to law and regulation were generally adequate in generating success in stopping or reducing ecological damage (Holley, 2017). Although, such an approach was affected by various limitations that constrained efficacy.

The early generation of environmental protection movements during the 1970s heavily depended on the nation-state or, at the international level, associations of states, operating mainly through treaty-based intergovernmental associations. However, in the 1980s, upon emergence of neoliberal models, governments started redirecting focus away from the Westphalian model of top-down authority (Holley, 2017). Rather, in many instances, issues concerning environmental degradation were controlled by means of market-based methodologies, voluntarism and other 'gentle' policy approaches, such as partnerships and collaboration. However, before the end of 1990s, the progression of environmental degradation and growing complications of social and environmental issues underwent another focus transfer towards environmental governance (Driessen, Dieperink, van Laerhoven, Runhaar & Vermeulen (2012), or towards the increasingly popular term of the 'new environmental governance' (Holley, 2017). Thereafter, the 1990s and more so the 2000s, have been an era characterised by emergence of new forms of global governance in the field of sustainable production of global commodities like palm oil, soy, timber, coffee and others. It was typically business and civil society actors who manifested themselves as new authorities to govern sustainability of global commodities through private partnerships (Hospes, 2014).

Rosenau and Durfee (2000) argue that the state-centric domination era is in decline. Due to the skill revolution, global spread of authority crises and several other sources of turbulence, state-centric models have undergone bifurcation into two increasingly autonomous worlds. Along with the traditional world of states, a complex multi-centric world of diverse actors has emerged, replete with structures, processes and decision rules of its own. Sovereignty-free actors of the multi-centric world include multi-national corporations, ethnic minorities, subnational government and bureaucracies, professional societies, political parties, transnational organisations and the like. Individually, and sometimes jointly, they compete, conflict, cooperate, or otherwise interact with sovereignty-bound actors of the state-centric world.

An increasing number of researchers and policymakers are of the opinion that new environmental governance has the potential to significantly enhance viability, proficiency and legitimacy of institutive actions towards ecological issues. As a consequence, a constitution of global and national



environmental policies emerged against states exercising authority over natural assets inside their jurisdictions (Holley, 2017).

The present arrangement of global governance is adeptly illustrated by Biermann and Pattberg (2008) in their outline of global environmental governance for the 2008 Annual Review of Environmental Resources. These authors demonstrate the current approach of governance with specified characteristics: (1) the rise of new forms of participation and of actors parallel to existing national governments; (2) the development of new instruments and associations of global governance operating beyond the conventional types of state-controlled, treaty-based authority; and (3) expanding division and decentralisation of the overall governance structure across levels and operational domains.

This new arrangement, a kind of hybrid partnership, is generally established in mutual efforts to solve major problems that are overly complex for the state to resolve independently (Karkkainen, 2004). Karkkainen (2004) explains that this new method of multi-centric governance emerged as an alternative to the traditional model of state-centric governance which has limited periphery and is structured towards addressing relatively straightforward and less complex problems. With this shift in governance model, the governing body in charge of environmental protection and natural resource management, conventionally exclusively managed by the sovereign state, is shifted to hybrid multi-centric problem-solving bodies. This is what Karkkainen (2004) described as 'post-sovereign governance'.

According to Karkkainen (2004), post sovereign governance has three major characteristics which are non-exclusive, non-hierarchical and post-territorial. Firstly, post-sovereign governance is perceived as non-exclusive in contrast to the traditional state-centric model where sovereign states exercise absolute authority over policy-making in regard to environmental and natural resources within their judicial territory. The post-sovereign governance model focuses on participation of agents and concedes that policy-making and policy execution are conjoint duties of state and non-state entities working in collaboration. The sovereign state role is restructured and reshaped into a less dominant party, as a co-collaborator in environmental policy-making and policy execution. This model of governance is in contrast with the conventional model where states are accustomed to exclusively controlling decision-making processes.

The second quality of post-sovereign governance is non-hierarchical. Traditional state-centric governance maintains rigid hierarchical authority in which states hold exclusive authority over their judicial territory and maintain decision-making power at the international level. In contrast, the post-sovereign governance model does not depend primarily on a traditional political hierarchical

structure. In the field of environmental policies, post-sovereign governance focuses on the efforts and level of commitment of various agencies involved in promoting environment rehabilitation, regardless of their level in social or political hierarchy. Each agency involved can exercise their vote in decision-making processes and decisions are made by significant consensus. However, unanimity is by and large eschewed to avoid the veto right.

Lastly, post-sovereign governance concepts are post-territorial. The platform of post-sovereign governance is made up of state and non-state parties focusing on problem solving. Such setting redefines the concept of boundaries from tangible jurisdictional confinements into common goals and shared commitments to solve a problem. Increasing awareness of the scale and complicity of environmental issues, combined with growing numbers of joint efforts in tackling problems, contribute to emergence of post-sovereign governance models. As a consequence, the basic policy-making structure of environmental and natural resources, domestically and globally, is altered.

The conclusion drawn from this chapter is that emergence of the ISPO, as state-centric governance, is mainly driven by two factors, namely the distinctive history and unequalled physical and geographical conditions of Indonesia. In context of history, the country's long and arduous colonial and post-colonial past casts a heavy shadow over the nation's outlook towards outsiders, marring people's judgement due to a narrow xenophobic mindset, or anti-foreign attitude. Despite being constantly exposed to an onslaught of current global trends, norms and forms of environmental governance, this attitude remains deeply rooted in the nation's political outlook, especially in affairs closely related to the nation's welfare, notably the management of natural assets and international economic policies. The considerable physical scale and favourable geographical location resulting in oil palm production capacity and quality incomparable to other countries provides leverage for Indonesia to justify entitlement of the nation to arbitrarily lay down its own rules, regardless of objection or consent from other nations or entities.

Currently, we must wait and see how the ISPO will perform. Many large Indonesian palm oil producers still have, or are seeking, RSPO certification to ensure access to European and US markets. On the other hand, the ISPO has not yet produced clear outcomes and it remains unclear whether international markets will view ISPO certification favourably. Meanwhile, the haze issue continues to cloud Indonesia's relations with important ASEAN neighbours and oil palm related land and labour conflicts remain rife in Indonesia.

The natural resource sovereignty discourse raises interesting questions. The concept of PSNR may prove a two-edged sword for the Indonesian government, as the right to self-determination belongs

to people rather than to sovereign states.<sup>85</sup> As explained by Pereira and Gough (2013, p. 453), “a state’s claim to sovereignty over natural resources is often put to the test when local communities, including indigenous groups, claim individual or group resources rights”. So, while the concept of PSNR can be considered a philosophical underpinning of GAPKI and the Indonesian government’s decision to ‘go it alone’ by withdrawing from the RSPO and establishing ISPO, this same concept embodies legal principles that could complicate the future of palm oil in the country. A recent judicial review of national forestry law by Indonesia’s Constitutional Court recognised that customary forests are not part of Indonesia’s state forest estate.<sup>86</sup> This ruling could have significant bearing on future and ongoing conflicts over land rights affecting millions of hectares of existing or planned oil palm plantations in Indonesia. By opening this Pandora’s box, the Indonesian government runs a risk of further empowering local and indigenous communities who often resist oil palm plantation development in their homelands, particularly as, unlike the RSPO, the ISPO does not embody mechanisms that allow participation by civil society stakeholders.

---

<sup>85</sup> See International Covenant on Civil and Political Rights (ICCPR), brought into force 23 March 1976; International Covenant on Economic, Social and Cultural Rights (ICESCR), brought into force 3 January 1976.

<sup>86</sup> Constitutional Court decision 35/PUU/X/2012 on Customary Forests.

## 7 CONCLUSION

This thesis has provided an overview of issues pertaining to palm oil certification in Indonesia. In doing so, the thesis briefly traced the genesis and rapid growth of oil palm cultivation in the country, and introduced a suite of socio-political and environmental problems that have accompanied this expansion. This thesis makes no attempt to add new information or insights to the already large literature chronicling the plight of Indonesia's forests and the communities that depend on them for their livelihoods, nor to targeted appraisals of the role that oil palm plantations play in this seemingly never-ending saga. This thesis also does not respond to these critiques, defend Indonesia's rights, or honour or development priorities.

This thesis introduces the history of oil palm cultivation and the various controversies accompanying it to establish the context for exploration of politics and how such politics are playing out in Indonesia today. A window through which to view inner workings of environmental politics in Indonesia today is presented in this thesis, namely emergence of the RSPO, Indonesian producer engagement with this organisation and responses to RSPO development and implementation of certification standards for sustainable palm oil, culminating in GAPKI's decision to withdraw Indonesia's membership and the Indonesian government's determination to develop its own national sustainable palm oil certification system, the ISPO.

It is important to reiterate that this research was not intended to assess ISPO standard effectiveness. Such an endeavour would require a different research approach focusing on downstream responses and perceptions to the ISPO and changes to palm oil buyer behaviour. Further, the ISPO is a relatively recent organisation, established in 2011 and beginning to operate in 2014 with a requirement that some large palm oil producers comply or lose their license to operate in Indonesia. To date, only 226 of 1660 oil palm growers registered with the Ministry of Agriculture have been awarded ISPO certification. These plantations account for only 12 per cent of the 11.9 million ha of oil palm currently growing in the country (Ribka, 2017). The government's current target is to have 80 per cent of oil palm plantations certified by the year 2020 (GAPKI, 2016b).

This thesis is not an indictment of the grower or government actions or choices. Any suggestion of judgement or bias in the foregoing analysis is unintended, inadvertently reflecting opinions of the researcher or interviewees. The study author is an official of the Indonesian Ministry of Trade, Directorate of Trade Defence and, as such, brings a particular history and bias to the research endeavour. Thus, in design and conduct of the research and writing up of results the researcher has resolutely attempted to maintain objectivity and neutrality. Sources are clearly identified when

particular stances or attitudes are conveyed. Analytical segments of the discussion identify cause-and-effect relationships and historical occurrences, tendencies and patterns which help explain the reasons for palm oil sector developments in Indonesia. The author's own voice should be most evident in segments prior to analysis where these explanations are put forward and argued.

Writing of this thesis was nearly completed when GAPKI released its Independence Day editorial on 18 August 2017. The sovereignty discussion presented in the previous chapter was revised to include discussion of this polemic. Suffice it to say, had this document been available at the beginning of this research project, it would have saved weeks of exploration, conjecture, discussion and contemplation, because it basically encapsulates, in resounding clarity, the passionate embrace of Permanent Sovereignty over Natural Resources (PSNR) that has defined Indonesian grower and government official attitudes and responses to NGO and consumer group concerns over impacts of palm oil cultivation, establishment and progress of the RSPO and introduction of certified sustainable palm oil.

During the writing of this manuscript, the author was hesitant to make claims that particular stakeholders held simplistic jingoistic or xenophobic views, for fear of oversimplifying complex arguments or overstating conclusions that merit careful and level-headed consideration. Apparently, GAPKI does not feel the same constraints. Granted, Independence Day is a time of year when nationalistic language can become overheated and the spectre of colonial exploitation is trotted out to explain past and present suffering of Indonesians, while at the same time glorifying all that Indonesia has achieved since throwing off the yoke of its erstwhile oppressors. Still, the tenor of GAPKI's palm oil independence polemic seems excessive. Does GAPKI really consider foreign agents are fomenting rural communities in remote regions of Indonesia to protest expropriation of land and forests by Indonesian companies? Or that Indonesian palm oil is subject to different environmental and human rights standards than other vegetable oils, such as soybean oil from the Brazilian Amazon?

Whether they do or not, the GAPKI article compellingly supports the case that the 1960s Non-aligned Movement era doctrine of PSNR retains a powerful grip on the Indonesian national imagination. The article also shines some light on the corporatism argument, as GAPKI is an exemplar of modern Indonesian corporatism. Was GAPKI's establishment directed by the Ministry of Agriculture? The proper answer is no, but it was *supported*. It is unimaginable that a GAPKI would not exist, as GAPKI is a classic example of the intimate, some may say incestuous, relations that exist in Indonesia between regulators, in this case the Ministry of Agriculture, and business leaders in the sector being regulated, i.e., large oil palm growers. But, who sets policy? The Ministry does, of course. However,

there is seamless integration between the views and desires of commercial interests and government actors and GAPKI is the vessel of this concord.

Disagreement and hostility between business and government on the one hand, and environmental and consumer groups on the other, are not unique to Indonesia. Nonetheless, this relationship takes on a unique national character in different country contexts, and at different times, in the political history of a country. Indonesia has a lively, outspoken and relatively well-resourced NGO sector that emerged in the late 1970s and early '80s, the strongest point of the New Order government's 32-year reign. In those early days, there was a protracted national discussion over what terminology could be used. 'NGO' was off limits because it was a foreign term and besides, 'non-governmental' might be construed as implying 'anti-government', which was not permitted in the harmonious village republic. Then Minister of Environment, Emil Salim, proposed the term *Lembaga Swadaya Masyarakat* (LSM), meaning community self-reliance institution, for local community-based organisations and *Lembaga Pengembangan Swadaya Masyarakat* (LPSM) for larger institutions promoting community self-reliance (what the rest of the world calls NGOs). As was the case in developed and developing countries globally, environmental degradation was a major concern of NGOs in Indonesia, along with social welfare. Human rights and anti-corruption NGOs took longer to incubate in Indonesia, emerging in the 1990s and proliferating in the *reformasi* era after the demise of Suharto's New Order.

At the national level, under the tutelage of the talented and charismatic Minister Emil Salim,<sup>87</sup> Indonesia pioneered a generally positive, level-headed dialogue aimed at reconciling concerns of environmental conservation and economic and social development. Indonesia has long faced a variety of environmental problems, many associated with poorly regulated economic and industrial development. Over the years, Indonesia developed a suite of environmental management policies, laws and regulations that are among the most comprehensive and detailed of any Southeast Asian country. LPSMs and LSMs, according to their proponents and apologists within government, support national development by assisting government agencies to monitor successful implementation of these laws.

There have been two sectors of the Indonesian economy where this genteel arrangement did not pertain: forestry and mining. In these sectors, relations between large and powerful business interests and the rag-tag army of students, peasants and workers that make up the NGO community, have always been highly antagonistic. Relations between resource extractive companies and local

---

<sup>87</sup> Emil Salim was one of the original 'Berkeley Mafia' technocrats that helped shape Indonesia's economic recovery during the early years of the New Order period. He later served as Minister of Environment from 1978 until 1993.

villagers are worse still, with one side sometimes resorting to sabotage, the other to violence and murder. This dynamic was already in play long before palm oil became a focus of resource disagreements and conflict.

Many of Indonesia's difficulties discussed in this manuscript can be traced to sections of the 1945 Constitution. In particular, the well-meaning Article 33, which states that "the land, the waters, and the natural resources within shall be under the powers of the State and shall be used to the greatest benefit of the people", formed the rationale for disastrous nationalisation of foreign-owned plantations and businesses in the 1950s and '60s which contributed to the economic and concomitant political decline that brought an end to the presidency of Indonesia's founding father, Sukarno. The same phrase was then used as justification for the New Order government's forest policy, arguing that export revenues from forest exploitation and land conversion were primary drivers of economic growth which surely equates with 'the greatest benefit of the people'.

The growth of Indonesia's economy following introduction of new investment, mining and forestry laws in 1966-67 signalled the beginning of the New Order development paradigm and accompanied a major reduction in poverty and significant improvement across a wide range of social indicators. Indonesian pundits and politicians frequently respond to criticisms of deforestation and habitat loss in the country, and change in policy, with the counterargument that the US and EU, the countries making these criticisms, paid for their own industrialisation and infrastructure with proceeds gained from felling forests and mining minerals in their jurisdictions, posing the question: why should Indonesia and other post-colonial developing countries be denied the opportunity to do the same for their own people?

For perhaps the first time in its history, Indonesia finds itself in a position of relative power and will not be denied its due respect. First President Sukarno was frequently belligerent, for example the nationalisation program mentioned above, the decade-long West New Guinea dispute and plebiscite, and *Konfrontasi* with Malaysia, but these examples are more illustrative of the post-colonial politics of the Non-aligned Movement (which, incidentally, gave the world UN Resolution no. 1803 (XVII) on PSNR), than any accurate assessment of Indonesia's relative geopolitical power or advantage. However, the ISPO is different. Indonesia is the world's largest producer of a highly sought-after commodity used in a broad array of products consumed on a daily basis by a large portion of the world's population. Many Indonesians feel, as stated by a GAPKI official in Chapter 6, that the oil palm is a 'gift from God to the Indonesian people', and as such confers multiple blessings. One of these blessings, perhaps, is the gift of no longer being told what to do by arrogant Europeans. However, this logic flies against the time-tested marketing truism that 'the customer is always right'.

Even though Indonesia is the largest palm oil producer, and repeatedly makes the claim that Indonesian palm oil is superior to that produced in other countries, it is a risky strategy to withdraw from a covenant that unites consumer advocates (NGOs), processors, retailers and primary producers in an internationally-recognised attempt to ameliorate some negative consequences that have accompanied oil palm cultivation in tropical countries.

At the time of writing, it remains unclear how consumers will respond to ISPO certification. In particular, the question is will ISPO gain support of environmental NGOs that have driven a global campaign for sustainable palm oil since its inception in the 1990s and remains the most trusted source of information about environmental and social impacts of oil palm cultivation to a broad segment of the US and European buying public?

Since 2015, Indonesian government and industry delegations have visited several European countries to 'socialise' (a peculiarly Indonesian term that basically means to sell or popularise an idea or piece of legislation) the concept of ISPO-certified sustainable palm oil to sceptical buyers. Their major selling point is that where RSPO certification is voluntary, ISPO is mandatory as all Indonesian oil palm growers are compelled to conform to ISPO agricultural standards (Listiyarini, 2015). It is too early to tell how prospective buyers may respond to these initiatives.<sup>88</sup> Meanwhile, the RSPO, has made significant inroads to palm oil certification. As shown in Table 5-5, and related discussion in Chapter 5 and elsewhere, a large majority of major food processing, cosmetic, fast food and retail companies in Europe and the US have already made, and in most cases met, commitments to use only RSPO certified sustainable palm oil in their products or to sell only products that are made using RSPO certified sustainable palm oil.

Recall the *Système U* example in the introduction to this manuscript. In 2013, not long after the French retail chain had launched their 'No Palm Oil' campaign, the Côte d'Ivoire Interprofessional Palm Oil Association (*Association Interprofessionnelle du Palmier à Huile/AIPH*) successfully sued the retail chain in a French commercial court due to the misleading campaign (Fatiguso & Galvez, 2016). Although penalties were minimal, the decision was hailed as a significant victory for palm oil producers. Around the same time, family-owned confectionary Ferrero Group, an RSPO member and manufacturer of the popular Nutella brand, lodged a complaint with the RSPO that *Système U*'s production and promotion of a 'palm oil free' chocolate spread undermined consumer confidence in certified sustainable palm oil products. After brief negotiation, *Système U* responded by joining the

---

<sup>88</sup> It should be noted that four of five top destinations for Indonesian palm oil – China, India, Pakistan and the Middle East – have thus far shown little interest in whether the palm oil they consume is certified sustainable or not.



RSPO and published a commitment to purchasing 100 per cent certified sustainable palm oil by 2015, a condition it met. RSPO celebrates such cases as victories for palm oil and palm oil producers.

As of June 2016, the global total of RSPO-certified plantations had reached 2.83 million ha, producing 10.85 million metric tons of RSPO-certified sustainable palm oil (Roundtable on Sustainable Palm Oil, 2016a). Grower, processor and retailer membership of the RSPO continues to increase and the RSPO is committed to assisting smallholders to achieve certification, supported by the RSPO Smallholders Support Fund (RSSF). Already, over 100,000 smallholders are RSPO certified (Roundtable on Sustainable Palm Oil, 2016a). In contrast, despite aiming for 100 per cent compliance, the ISPO currently has no measures in place to ensure Indonesian oil palm smallholders have the capability to fulfil certification requirements, recalling that smallholders comprise the fastest growing group of oil palm growers in Indonesia. Another issue is limited ISPO institutional capacity, including establishment and operation of an effective dispute settlement mechanism.

It is difficult to predict the future. However, there are some things that we can safely surmise based on the findings of this research. Demand for edible oils will continue to grow as global population increases and as new ways to process and produce products are developed. Palm oil will likely continue to be the most produced and consumed food oil in the world. Indonesia's production will increase, as will total acreage. Producers large and small will continue to cut costs and avoid drudgery, meaning that some forests and peatlands will continue to be cleared using fire. Perhaps at a lesser rate compared to past years, but smoke and haze is sure to rise again from lands that were once impenetrable and nearly un-burnable rainforest. Campaigns to protect endangered species, such as orangutan, tigers and rhinoceros, and their shrinking habitats will continue, at least until Sumatran rhinos become extinct in the wild. Indigenous and other forest-dependent communities will continue to resist expropriation of their ancestral or *de facto* lands and investors will continue to covet the same land. Companies will continue to exploit workers, and smallholders will continue to self-exploit. The RSPO and ISPO will both do their best to assure consumers that oil palm growers employ the best sustainable practices, that disputes are settled equitably and peacefully, and that consumers purchase and consume only certified sustainable palm oil products.

## REFERENCES

- 2015, konflik di perkebunan capai 776 kasus. (2016, January 2), *Info Sawit*. Retrieved from <http://www.infosawit.com/news/3850/2015--konflik-di-perkebunan-capai-776-kasus>
- African Development Bank Group. (2017). *About us*. Retrieved from <http://www.afdb.org/en/about-us/>
- Afrizal. (2013). Oil palm plantations, customary rights, and local protests: A West Sumatran case study. In A. Lucas & C. Warren (Eds.), *Land for the people: The state and agrarian conflict in Indonesia* (pp. 149-182). Retrieved from <http://muse.jhu.edu.ezproxy.lib.monash.edu.au/book/26409>
- Ali, F. (2015, September 18). *Kebakaran hutan rugikan perkebunan kelapa sawit hingga Rp 7,2 triliun*, *Kompas*. Retrieved from <http://bisniskeuangan.kompas.com/read/2015/09/18/020800226/Kebakaran.Hutan.Rugikan.Pe-rkebunan.Kelapa.Sawit.hingga.Rp.7.2.Triliun>
- Amzul, R. (2011). *The role of palm oil industry in Indonesian economy and its export competitiveness* (Doctoral dissertation). Retrieved from <http://repository.dl.itc.u-tokyo.ac.jp/dspace/bitstream/2261/48410/1/39-087078.pdf>
- Anderson, P. (2013). Free, prior, and informed consent? Indigenous peoples and the palm oil boom in Indonesia. In O. Pye & J. Bhattacharya (Eds.), *The palm oil controversy in Southeast Asia: A transnational perspective* (pp. 244-257). Singapore: ISEAS Publishing.
- Anderson, P., Hasibuan, F., Firdaus, A.Y., Afrizal, Zulkifli, & Firmansyah, N. (2013). PT Permata Hijau Pasaman I and the Kapa and Sasak peoples of Pasaman Barat, West Sumatra. In M. Colchester & S. Chao (Eds.), *Conflict or consent? The oil palm sector at crossroads* (pp. 101-124). Retrieved from <http://www.forestpeoples.org/sites/fpp/files/publication/2013/11/conflict-or-consentenglishlowres.pdf>
- Aria, P. (2016, July 16). Moratorium sawit akan diperpanjang lima tahun, *Tempo*. Retrieved from <https://m.tempo.co/read/news/2016/07/16/090787984/moratorium-sawit-akan-diperpanjang-lima-tahun>
- Asian Development Bank. (2003). *ADB environmental assessment guidelines*. Retrieved from <https://www.adb.org/sites/default/files/institutional-document/32635/files/environmental-assessment-guidelines.pdf>
- Asian Development Bank. (2017). *Who we are*. Retrieved from <https://www.adb.org/about/main>
- Asian Infrastructure Investment Bank. (2016). *Environmental and social framework*. Retrieved from [https://www.aiib.org/en/policies-strategies/\\_download/environment-framework/20160226043633542.pdf](https://www.aiib.org/en/policies-strategies/_download/environment-framework/20160226043633542.pdf)
- Aspinall, E. (2015). The new nationalism in Indonesia. *Asia & the Pacific Policy Studies*, 3(1), 72-82. doi: 10.1002/app5.111
- Asshiddiqie, J. (1994). *Gagasan kedaulatan rakyat dalam konstitusi dan pelaksanaannya di Indonesia: Pergeseran keseimbangan antara individualisme dan kolektivisme dalam kebijakan demokrasi politik dan demokrasi ekonomi selama tiga masa demokrasi, 1945-1980an*. Jakarta: Ichtiar Baru Van Hoeve.

- Austin, K., Gingold, B., & Prasodjo, R. (2011). *Indonesia's moratorium: An opportunity for forest and industry*. Retrieved from <https://www.wri.org/blog/2011/04/indonesia%E2%80%99s-moratorium-opportunity-forests-and-industry>
- Austin, K., Sheppard, S., & Stolle, F. (2012). *Indonesia's moratorium on new forest concessions: Key findings and next steps* (Working paper). Retrieved from [https://www.wri.org/sites/default/files/indonesia\\_moratorium\\_on\\_new\\_forest\\_concessions.pdf](https://www.wri.org/sites/default/files/indonesia_moratorium_on_new_forest_concessions.pdf)
- Badan Pusat Statistik. (2017). *Ekspor minyak kelapa sawit menurut negara tujuan utama, 2000-2015*. Retrieved from <https://www.bps.go.id/linkTabelStatis/view/id/1026>
- Badrun, M. (2010). *Tonggak perubahan: Melalui PIR kelapa sawit membangun negeri*. Jakarta: Direktorat Jenderal Perkebunan, Kementerian Pertanian Republik Indonesia.
- Baillie, J.E.M., Hilton-Taylor, C., & Stuart, S.N. (2004). *2004 IUCN red list of threatened species: A global species assessment*. Retrieved from <https://www.iucn.org/theme/species/publications/iucn-red-list-publications>
- Baker, P.J., Bunyavejchewin, S., & Robinson, A.P. (2008). The impacts of large-scale, low-intensity fires on the forests on continental South-east Asia. *International Journal of Wildland Fire*, 17, 782-792. doi: 10.1071/WF07147
- Baldwin, R., Cave, M., & Lodge, M. (2012). *Understanding regulation: Theory, strategy, and practice*. Oxford: Oxford University Press.
- Bangun, D. (2010). *Memoar "duta besar" sawit Indonesia*. Jakarta: Penerbit Buku Kompas.
- Barr, C. (2006). Forest administration and forestry sector development prior to 1998. In C. Barr, I.A.P. Resosudarmo, A. Dermawan, J. McCarthy, M. Moeliono, & B. Setiono (Eds.), *Decentralization of forest administration in Indonesia* (pp. 18-30). Retrieved from [http://www.cifor.org/publications/pdf\\_files/Books/BBarr0601.pdf](http://www.cifor.org/publications/pdf_files/Books/BBarr0601.pdf)
- Barr, C., Resosudarmo, I.A.P., McCarthy, J., & Dermawan, A. (2006). Forest and decentralization in Indonesia: An overview. In C. Barr, I.A.P. Resosudarmo, A. Dermawan, J. McCarthy, M. Moeliono, & B. Setiono (Eds.), *Decentralization of forest administration in Indonesia* (pp. 1-17). Retrieved from [http://www.cifor.org/publications/pdf\\_files/Books/BBarr0601.pdf](http://www.cifor.org/publications/pdf_files/Books/BBarr0601.pdf)
- Barr, M.D. (2002). *Cultural politics and Asian values: The tepid war*. London; New York: Routledge.
- Bartelson, J. (1995). *A genealogy of sovereignty*. Cambridge, UK; New York, USA: Cambridge University Press.
- Bell, S., & Hindmoor, A. (2011). Governance without government? The case of the forest stewardship council. *Public Administration*, 90(1), 144-159. doi: 10.1111/j.1467-9299.2011.01954.x
- Bellamy, R., & Palumbo, A. (2010). *From government to governance*. Farnham; Burlington, VT: Ashgate.
- Berg, B.L., & Lune, H. (2012). *Qualitative research methods for social science* (8<sup>th</sup> ed.). Boston: Pearson.
- Berger, M.T. (1997). Old state and new empire in Indonesia: Debating the rise and decline of Suharto's New Order. *Third World Quarterly*, 18(2), 321-361. <http://dx.doi.org.ezproxy.lib.monash.edu.au/10.1080/01436599714975>

- Bernard, H.R. (2013). *Social research methods: Qualitative and quantitative approaches* (2<sup>nd</sup> ed.). Los Angeles: SAGE Publications.
- Bernstein, S., & Cashore, B. (2007). Can non-state global governance be legitimate? An analytical framework. *Regulation & Governance*, 1, 347-371. doi:10.1111/j.1748-5991.2007.00021.x
- Biermann, F. (2004). *Global environmental governance: Conceptualization and examples* (Global governance working paper No. 12). Retrieved from <http://www.glogov.org/images/doc/WP12.pdf>
- Biermann, F., & Pattberg, P. (2008). Global environmental governance: Taking stock, moving forward. *Annual Review on Environment and Resources*, 33, 277-294. doi: 10.1146/annurev.environ.33.050707.085733
- Block, B. (2016). *Oil palm industry takes land, promises livelihood*. Retrieved from <http://www.worldwatch.org/node/6075>
- Booth, A., O'Malley, W.J., & Weidemann, A. (1990). *Indonesian economic history in the Dutch colonial era*. New Haven, Connecticut: Yale Center for International Area Studies.
- Borowski, A. (2017). Totalitarianism in sociological research. *World Scientific News*, 67(2), 80-101. Retrieved from <http://psjd.icm.edu.pl/psjd/element/bwmeta1.element.psjd-319d8fdb-9a1e-4378-9aa6-b9dc2f362df8>
- Budidarsono, S., Sirait, M., & Pradhan, U. (2014). *A new trend in palm oil production in the context of changing global demands. A portrayal of oil palm development in Riau Province, Sumatra, Indonesia* (Brief No. 43). Retrieved from <http://www.worldagroforestry.org/sea/Publications/files/policybrief/PB0079-14.pdf>
- Budidarsono, S., Susanti, A., & Zoomers, A. (2013). Oil palm plantations in Indonesia: The implications for migration, settlement/resettlement and local economic development. In Z. Fang (Ed.), *Biofuels-economy, Environment and Sustainability* (pp. 173-193). <http://dx.doi.org/10.5772/53586>
- Bull, H. (2002). *The anarchical society: A study of order in world politics* (3<sup>rd</sup> ed). Basingstoke: Palgrave.
- Bushley, B.R. (2014). REDD+ policy making in Nepal: Toward state-centric, polycentric, or market-oriented governance? *Ecology and Society*, 19(3), 1. <http://dx.doi.org/10.5751/ES-06853-190334>
- Butler, R. (1994-2006). *Statistics: Indonesia*. Retrieved from <http://rainforests.mongabay.com/deforestation/archive/Indonesia.htm>
- Butt, S., & Lindsey, T. (2008). Economic reform when the constitution matters: Indonesia's constitutional court and article 33. *Bulletin of Indonesian Economic Studies*, 44(2), 239-262. doi: 10.1080/00074910802169004
- Cabello, M., & Farhat, M. (2013). *Growth in Indonesia: Is it sustainable? The political economy of deforestation*. Retrieved from [http://www.opml.co.uk/sites/default/files/Growth%20in%20Indonesia\\_The%20political%20economy%20of%20deforestation\\_0.pdf](http://www.opml.co.uk/sites/default/files/Growth%20in%20Indonesia_The%20political%20economy%20of%20deforestation_0.pdf)
- Carlson, K.M., Curran, L.M., Ratnasari, D., Pittman, A.M., Soares-Filho, B.S., Asner, G.P., . . . Rodrigues, H.O. (2012). Committed carbon emissions, deforestation, and community land conversion from oil palm plantation expansion in West Kalimantan, Indonesia. *Proceedings of the National*

*Academy of Sciences of the United States of America*, 109(19), 7559-7564. doi: 10.1073/pnas.1200452109

- Casson, A. (1999). *The hesitant boom: Indonesia's oil palm sub-sector in an era of economic crisis and political change* (Research Report). Retrieved from [http://www.cifor.org/publications/pdf\\_files/CASSON.pdf](http://www.cifor.org/publications/pdf_files/CASSON.pdf)
- Casson, A. (2001). *Decentralisation of policies affecting forests and estate crops in Kotawaringin Timur district, Central Kalimantan*. Retrieved from [http://www.cifor.org/publications/pdf\\_files/Books/Decentralisation-Case5.pdf](http://www.cifor.org/publications/pdf_files/Books/Decentralisation-Case5.pdf)
- CERES. (2016a). *Board of Directors*. Retrieved from <https://www.ceres.org/about-us/board-directors>
- CERES. (2016b). *Ceres President's Council*. Retrieved from <https://www.ceres.org/about-us/ceres-presidents-council>
- CERES. (2016c). *Staff*. Retrieved from <https://www.ceres.org/about-us/staff>
- Chao, S. (2012). *Forest peoples: Numbers across the world*. Retrieved from [http://www.forestpeoples.org/sites/fpp/files/publication/2012/05/forest-peoples-numbers-across-world-final\\_0.pdf](http://www.forestpeoples.org/sites/fpp/files/publication/2012/05/forest-peoples-numbers-across-world-final_0.pdf)
- Cheyenne Mountain Zoo. (2017). *Sustainable palm oil shopping* (Version 2.1). Retrieved from <https://itunes.apple.com/us/app/sustainable-palm-oil-shopping/id671945416?mt=8>
- Chidley, L. (2005). *Investing in disaster: The IFC and palm oil plantations in Indonesia*. Retrieved from <http://wrm.org.uy/oldsite/bulletin/93/Indonesia.html>
- CIFOR. (2015). *Clearing the smoke: The causes and consequences of Indonesia's fires*. Retrieved from <https://blog.cifor.org/37016/clearing-the-smoke-the-causes-and-consequences-of-indonesias-fires?fnl=en>
- Coe, B. (2015). Sovereignty regimes and the norm of noninterference in the global south: Regional and temporal variation. *Global Governance*, 21, 275-298. doi: <https://doi.org/10.5555/1075-2846-21.2.275>
- Colchester, M. (2011). *Palm oil and indigenous peoples in South East Asia* (Research Report). Retrieved from [http://www.forestpeoples.org/sites/fpp/files/publication/2010/08/palmoilindigenouspeoplesouth-east-asia-final-mceng\\_0.pdf](http://www.forestpeoples.org/sites/fpp/files/publication/2010/08/palmoilindigenouspeoplesouth-east-asia-final-mceng_0.pdf)
- Colchester, M., & Chao, S. (2013). Introduction. In M. Colchester & S. Chao (Eds.), *Conflict or consent? The oil palm sector at crossroads* (pp. 7-27). Retrieved from <http://www.forestpeoples.org/sites/fpp/files/publication/2013/11/conflict-or-consent-english-lowres.pdf>
- Colchester, M., & Jiwan, N. (2006). *Ghost on our own land: Indonesian oil palm smallholders and the roundtable on sustainable palm oil*. Retrieved from <http://www.forestpeoples.org/sites/fpp/files/publication/2011/02/ghostsonourownlandtxt06eng.pdf>
- Colchester, M., Jiwan, N., Andiko, Sirait, M., Firdaus, A.Y., Surambo, A., & Pane, H. (2006). *Promised land: Palm oil and land acquisition in Indonesia – Implications for local communities and indigenous peoples*. Retrieved from <http://www.forestpeoples.org/sites/fpp/files/publication/2010/08/promisedlandeng.pdf>

- Cole, D.H., & Grossman, P.Z. (1999). *When is command-and-control efficient? Institutions, technology, and the comparative efficiency of alternative regulatory regimes for environmental protection*. Retrieved from <http://www.repository.law.indiana.edu/cgi/viewcontent.cgi?article=1591&context=facpub>
- Compliance Advisor Ombudsman. (2014). *Indonesia/Wilmar Group-01/West Kalimantan*. Retrieved from [http://www.cao-ombudsman.org/cases/case\\_detail.aspx?id=76](http://www.cao-ombudsman.org/cases/case_detail.aspx?id=76)
- Corley, R.H.V., & Tinker, P.B. (2015). *The oil palm* (5<sup>th</sup> ed.). Hoboken, NJ: John Wiley & Sons.
- Crawford, N.C. (2004). Understanding discourse: A method of ethical argument analysis. *Qualitative Methods*, 4, 22-25. Retrieved from <https://www.maxwell.syr.edu/uploadedFiles/moynihan/cqrm/Newsletter2.1.pdf>
- Creswell, J.W. (2014). *Research design: Qualitative, quantitative, and mixed methods approaches* (4<sup>th</sup> ed.). Thousand Oaks: SAGE Publications.
- Daemeter Consulting. (2015). *Indonesia's evolving governance framework for palm oil: Implications for a no deforestation, no peat palm oil sector*. Retrieved from [http://daemeter.org/new/uploads/20150902122555.RFN\\_E\\_Book\\_p09.pdf](http://daemeter.org/new/uploads/20150902122555.RFN_E_Book_p09.pdf)
- Dauvergne, P. (1993). The politics of deforestation in Indonesia. *Pacific Affairs*, 66(4), 497-518. Retrieved from <http://www.jstor.org.ezproxy.lib.monash.edu.au/stable/pdf/2760676.pdf?refreqid=excelsior:56012d9f29246a24de32fc3ac98fb903>
- Deike, J. (2015). *The (re-) positioning of the Indonesian and Malaysian state in the sustainable palm oil governance: An empirical contribution to the idea of "cunning states"* (Master thesis). Retrieved from <http://edepot.wur.nl/335694>
- Delmas, M.A., & Young, O.R. (2009). Introduction: New perspective on governance for sustainable development. In M.A. Delmas & O.R. Young (Eds.), *Governance for the Environment* (pp. 3-40). Cambridge, UK; New York: Cambridge University Press.
- Dermawan, A., Komarudin, H., & McGrath, S. (2006, June). *Decentralization in Indonesia's forestry sector – Is it over? What comes next?* Paper presented at the Eleventh Biennial Global Conference of the International Association for the Study of Common Property (IASCP), Bali, Indonesia. Retrieved from [https://dlc.dlib.indiana.edu/dlc/bitstream/handle/10535/151/Dermawan\\_Ahmad.pdf?sequence=1](https://dlc.dlib.indiana.edu/dlc/bitstream/handle/10535/151/Dermawan_Ahmad.pdf?sequence=1)
- Dewan Minyak Sawit Indonesia. (2011, December). *Penyediaan SDM – by design – untuk memenuhi pengembangan industri sawit Indonesia yang berkelanjutan 2012-2050*. Presented at Lokakarya DMSI dengan Pimpinan Lembaga Perguruan Tinggi dan Sederajat di Indonesia, Bali, Indonesia.
- Dindar, S. (2010, March 24). Nestle drops palm oil supplier citing environmental concerns, *National Post*. Retrieved from <http://nationalpost.com/news/nestle-drops-palm-oil-supplier-citing-environmental-concerns>
- Djelic, M., & Sahlin-Anderson, K. (2006). Introduction: A world of governance: The rise of transnational regulation. In M. Djelic & K. Sahlin-Anderson (Eds.), *Transnational governance: Institutional dynamics of regulation* (pp. 1-28). Cambridge: Cambridge University Press.
- Driessen, P.P.J., Dieperink, C., van Laerhoven, F., Runhaar, H.A.C., & Vermeulen, W.J.V. (2012). Towards a conceptual framework for the study of shifts in modes of environmental governance

- Experiences from the Netherlands. *Environmental Policy and Governance*, 22, 143-160. doi: 10.1002/eet.1580
- Duit, A. (2016). The four faces of the environmental state: Environmental governance regimes in 28 countries. *Environmental Politics*, 25(1), 69-91.  
<http://dx.doi.org/10.1080/09644016.2015.1077619>
- Dunn, K.C., & Neumann, I.B. (2016). *Undertaking discourse analysis for social research*. Ann Arbor: University of Michigan Press.
- Edkins, J., & Pin-Fat, V. (2004). Introduction: Life, power, resistance. In M.J. Shapiro, J. Edkins, V. Pin-Fat (Eds.), *Sovereign lives: Power in global politics* (pp. 1-22). New York: Routledge.
- Engel, S. (2010). *The World Bank and the post-Washington consensus in Vietnam and Indonesia*. London; New York: Routledge
- Environmental Investigation Agency. (2012). *Testing the law: Carbon, crime and impunity in Indonesia's plantation sector*. Retrieved from <http://www.eia-international.org/wp-content/uploads/Testing-the-Law-final-version.pdf>
- Environmental Investigation Agency. (2013). *Banking on extinction: Oil palm, orangutans and the certified failure of HSBC's forest policy*. Retrieved from <http://www.eia-international.org/wp-content/uploads/EIA-Banking-on-Extinction-FINAL-lo-res.pdf>
- Environmental Protection Agency. (2017). *Our mission and what we do*. Retrieved from <https://www.epa.gov/aboutepa/our-mission-and-what-we-do>
- Equator principles. (n.d.). *The equator principles*. Retrieved from <http://www.equator-principles.com/>
- Everett, L. (2014). *Environmental fraud: How palm oil turned the tables on the green groups and their shadowy funders!* Pennsauken, NJ: BookBaby.
- Fachrizal, A., Sirait, J., & Wihardandi, A. (2014). *Kelapa sawit, antara kepentingan politik dan tata guna lahan (Bagian I)*. Retrieved from <http://www.mongabay.co.id/2014/04/07/fokus-liputan-kelapa-sawit-antara-kepentingan-politik-dan-tata-guna-lahan-bagian-i/>
- Falkner, R. (2003). Private environmental governance and international relations: Exploring the links. *Global Environmental Politics*, 3(2), 72-87. Retrieved from <http://web.b.ebscohost.com.ezproxy.lib.monash.edu.au/ehost/pdfviewer/pdfviewer?vid=1&sid=bf8aa236-43d1-421a-8f31-7b46462690f5%40sessionmgr102>
- Fatiguso, R., & Galvez, J. (2016). *The global war on edible oil*. Milano: Giunti Editore S.p.A.
- Fearnside, P. (1997). Transmigration in Indonesia: Lessons from its environmental and social impacts. *Environmental Management*, 21(4), 553-570. Retrieved from <https://search-proquest-com.ezproxy.lib.monash.edu.au/docview/884861588?OpenUrlRefId=info:xri/sid:primo&accountid=12528>
- Federal Land Development Authority. (2014). *About FELDA*. Retrieved from <http://www.felda.net.my/index.php/en/felda/mengenai-felda>
- Feith, H. (2006). *The decline of constitutional democracy in Indonesia*. Jakarta; Kuala Lumpur: Equinox Publishing.

- Finger, M. (2008). Which governance for sustainable development? An organizational and institutional perspective. In J. Park, K. Conca, & M. Finger (Eds.), *The crisis of global environmental governance* (pp. 34-57). London: Routledge.
- Fisher, R.J., Srimongkontip, S., & Veer, C. (1997). *People and forest in Asia and the Pacific: Situation and prospects* (Working Paper No. APFSOS/WP/27). Retrieved from <ftp://ftp.fao.org/docrep/fao/W7732E/W7732E00.pdf>
- Fitzherbert, E.B., Struebig, M.J., Morel, A., Danielsen, F., Bruhl, C.A., Donald, P.F., & Phalan, B. (2008). How will palm oil expansion affect biodiversity? *Trends in Ecology and Evolution*, 23(10), 538-545. doi: 10.1016/j.tree.2008.06.012
- Food and Agriculture Organization. (2010). *Global forest resources assessment 2010* (Main report). Retrieved from <http://www.fao.org/docrep/013/i1757e/i1757e.pdf>
- Forbes. (2016). *Indonesia's 50 richest*. Retrieved from <https://www.forbes.com/indonesia-billionaires/list/#tab:overall>
- Ford, M., & Lyons, L. (2009). Fluid boundaries: Modernity, nation and identity in the Riau islands. In R. Cribb & M. Ford (Eds.), *Indonesia beyond the water's edge: Managing an archipelagic state* (pp. 221-237). Singapore: ISEAS Publishing (Institute of Southeast Asian Studies)
- Forest Stewardship Council. (2017). *Our vision and mission*. Retrieved from <https://au.fsc.org/en-au/about-fsc/vision-and-mission>
- Forest Watch Indonesia/Global Forest Watch. (2002). *The state of the forest: Indonesia*. Retrieved from [http://pdf.wri.org/indoforest\\_full.pdf](http://pdf.wri.org/indoforest_full.pdf)
- Fowler, M.R., & Bunck, J.M. (1995). *Law, power, and the sovereign state: The evolution and application of the concept of sovereignty*. University Park, PA: Pennsylvania State University Press.
- Freeman, R.E. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman.
- Freer-Smith, P.H., Broadmeadow, M.S.J., & Lynch, J.M. (2007). Forest and climate change: The knowledge-base for action. In P.H. Freer-Smith, M.S.J. Broadmeadow, & J.M. Lynch (Eds.), *Forestry and climate change* (pp. 7-14). Wallingford, Oxfordshire, UK: CABI
- Friedman, A.L., & Miles, S. (2006). *Stakeholders: Theory and practice*. Oxford, UK: Oxford University Press.
- Fukuoka, Y. (2012). Politics, business and the state in post-Soeharto Indonesia. *Contemporary Southeast Asia*, 34(1), 80-100. Retrieved from <http://www.jstor.org.ezproxy.lib.monash.edu.au/stable/pdf/41446245.pdf>
- Galli, A.M., & Fisher, D.R. (2015). Hybrid arrangements as a form of ecological modernization: The case of the US energy efficiency conservation block grants. *Sustainability*, 8(1), 88. doi:10.3390/su8010088
- GAPKI. (2014). *Industri minyak sawit Indonesia menuju 100 tahun NKRI: Membangun kemandirian ekonomi, energi dan pangan secara berkelanjutan*. Jakarta: GAPKI.
- GAPKI. (2016a). *About GAPKI*. Retrieved from <https://gapki.id/introduction/>
- GAPKI. (2016b). *Sawit Indonesia terbukti makin berkelanjutan*. Retrieved from <https://gapki.id/sawit-indonesia-terbukti-makin-berkelanjutan/#more-1645>



- GAPKI. (2017). *Industri minyak sawit merupakan industri strategis nasional*. Retrieved from <http://gapki.id/industri-minyak-sawit-merupakan-industri-strategis-nasional/>
- Gaworecki, M. (2015). *Sustainable palm oil manifesto group's High Carbon Stock forests study would continue business as usual, environmentalists say*. Retrieved from <https://news.mongabay.com/2015/10/sustainable-palm-oil-manifesto-groups-high-carbon-stock-forests-study-would-continue-business-as-usual-environmentalists-say/>
- Gemmill, B., & Bamidele-Izu, A. (2002). The role of NGOs and civil society in global environmental governance. In D.C. Esty & M.H. Ivanova (Eds.), *Global environmental governance: Options & opportunities* (pp. 77-100). New Haven, CT: Yale School of Forestry & Environmental.
- Gillespie, P., & Harjanthi, R.S. (2012, November 2). ISPO, RSPO: Two sides of the same coin? *The Jakarta Post*. Retrieved from <http://www.thejakartapost.com/news/2012/11/02/ispo-rspo-two-sides-same-coin.html>
- Gillis, M. (1988). Indonesia: Public policies, resource management, and the tropical forest. In R. Repetto & M. Gillis (Eds.), *Public policies and the misuse of forest resources* (pp. 43-113). Cambridge: Cambridge University Press.
- Glahn, G.V., & Taulbee, J.L. (2017). *Law among nations: An introduction to public international law*. New York: Routledge.
- Glastra, R., Wakker, E., & Richert, W. (2002). *Oil palm plantations and deforestation in Indonesia. What role do Europe and Germany play?* Retrieved from [assets.panda.org/downloads/oilpalmindonesia.pdf](https://assets.panda.org/downloads/oilpalmindonesia.pdf)
- Green, M. (1990). *Indonesia: Crisis and transformation, 1965-1968*. Washington D.C.: Compass Press.
- Greenpeace. (2008). *How Unilever palm oil suppliers are burning up Borneo* (Research report). Retrieved from <http://www.greenpeace.org/international/en/publications/reports/how-unilever-palm-oil-supplier/>
- Greenpeace. (2013). *Licence to kill: how deforestation for oil palm is driving Sumatran tigers toward extinction* (Research report). Retrieved from [https://www.greenpeace.org/international/Global/international/publications/forests/2013/LicenceToKill\\_ENG\\_LOWRES.pdf](https://www.greenpeace.org/international/Global/international/publications/forests/2013/LicenceToKill_ENG_LOWRES.pdf)
- Greenpeace. (2017). *Dirty bankers: How HSBC is financing forest destruction for palm oil*. Retrieved from [http://www.greenpeace.org/international/Global/international/publications/forests/2017/Greenpeace\\_DirtyBankers\\_final.pdf](http://www.greenpeace.org/international/Global/international/publications/forests/2017/Greenpeace_DirtyBankers_final.pdf)
- Gregory, M. (2016). *Financing land grabs and deforestation: The role of EU banks and investors*. Retrieved from <http://www.fern.org/sites/fern.org/files/Financing%20land%20grabs%20final.pdf>
- Grimble, R. (1998). *Stakeholder methodologies in natural resources management*. Retrieved from <http://www.nri.org/projects/publications/bpg/bpg02.pdf>
- Grimble, R., & Wellard, K. (1997). Stakeholder methodologies in natural resources management: A review of principles, contexts, experiences and opportunities. *Agricultural System*, 55(2), 173-193. Retrieved from <http://www.sciencedirect.com.ezproxy.lib.monash.edu.au/science/article/pii/S0308521X97000>

061/pdf?md5=a9c7e2140e541427f526b5353656c1ac&pid=1-s2.0-S0308521X97000061-main.pdf

- Gulbrandsen, L.H. (2010). *Transnational environmental governance: The emergence and effects of the certification of forests and fisheries*. Cheltenham, UK; Northampton, USA: Edward Elgar.
- Gunawan, I.K. (2004). *The politics of the Indonesian rainforest: A rise of forest conflicts in East Kalimantan during Indonesia's early stage of democratisation*. Göttingen: Cuvillier Verlag.
- Haas, P. (2008). *International environmental governance*. Aldershot: Ashgate.
- Hadi, S. (2005). *Strategi pembangunan Mahathir dan Soeharto: Politik industrialisasi dan modal Jepang di Malaysia dan Indonesia*. Jakarta: Pelangi Cendekia.
- Hadinaryanto, S.E. (2014). *Palm oil, politics, and land use in Indonesia Borneo (Part I)*. Retrieved from <https://news.mongabay.com/2014/04/special-report-palm-oil-politics-and-land-use-in-indonesian-borneo-part-i/>
- Hadiz, V.R. (2005). *Dinamika kekuasaan: Ekonomi politik Indonesia pasca-Soeharto*. Jakarta: LP3ES.
- Hafild, E., Furqon, D., Hidayati, N., & Sangkoyo, H. (2000). *Addicted to loan: The World Bank footprints in Indonesia* (Briefing paper). Retrieved from [https://www.asienhaus.de/public/archiv/WB-and\\_Indonesia\\_Walhi\\_paper.pdf](https://www.asienhaus.de/public/archiv/WB-and_Indonesia_Walhi_paper.pdf)
- Hai, T.C. (2004). Selling the green palm oil advantage. *Oil Palm Industry Economic Journal*, 4(1), 22-31. Retrieved from <http://palmoilis.mpob.gov.my/publications/OPIEJ/opiejv4n1-teoh.pdf>
- Hai, T.C. (2013). Malaysian corporations as strategic players in Southeast Asia's palm oil industry. In O. Pye & J. Bhattacharya (Eds.), *The palm oil controversy in Southeast Asia: A transnational perspective* (pp. 19-47). Singapore: ISEAS Publishing.
- Hall, R. (2008). *Applied social research: Planning, designing and conducting real-world research*. South Yarra, Vic: Palgrave Macmillan.
- Hanlon, J. (2007). Wolfowitz, the World Bank, and illegitimate lending. *The Brown Journal of World Affairs*, 13(2), 41-54. Retrieved from [https://www.brown.edu/initiatives/journal-world-affairs/sites/brown.edu/initiatives.journal-world-affairs/files/private/articles/13.2\\_Hanlon.pdf](https://www.brown.edu/initiatives/journal-world-affairs/sites/brown.edu/initiatives.journal-world-affairs/files/private/articles/13.2_Hanlon.pdf)
- Hapsari, M. (2011). The political economy of forest governance in post-Suharto Indonesia. In H. Kimura, Suharko, A.B. Javier, & A. Tangsupvattana (Eds.), *Limits of good governance in developing countries* (pp. 103-137). Retrieved from <https://www2.gsid.nagoya-u.ac.jp/blog/anda/publications/limits-of-good-governance-in-developing-countries/>
- Hardy, C., Harley, B., & Phillips, N. (2004). Discourse analysis and content analysis: Two solitudes? *Qualitative Methods*, 4, 19-22. Retrieved from <https://www.maxwell.syr.edu/uploadedFiles/moynihan/cqrm/Newsletter2.1.pdf>
- Hartley, C.W.S. (1967). *The oil palm (Elaeis guineensis Jacq.)*. London: Longmans.
- Hartono, I. (2011). *State-business relations in post-1998 Indonesia: The role of KADIN* (Doctoral dissertation). Retrieved from <http://hdl.handle.net/11370/543696ee-bb1c-4169-bc37-8dea527902c4>
- Hashmi, S.H. (1997). Introduction. In S.H. Hashmi (Ed.), *State sovereignty: Change and persistence in international relations* (pp. 1-14). University Park: Pennsylvania State University Press.

- Haufler, V. (2009). Transnational actors and global environmental governance. In M.A. Delmas & O.R. Young (Eds.), *Governance for the environment* (pp. 119-143). Cambridge, UK; New York: Cambridge University Press.
- Heywood, A. (2004). *Political theory: An introduction* (3<sup>rd</sup> ed.). New York: Palgrave Macmillan.
- Hidayat, H. (2008). *Politik lingkungan: Pengelolaan hutan masa Orde Baru dan reformasi*. Jakarta: Yayasan Obor Indonesia.
- Hofbauer, J. (2009). *The principle of permanent sovereignty over natural resources and its modern implications* (Master thesis). Retrieved from [https://skemman.is/bitstream/1946/4602/1/Jane\\_Hofbauer.pdf](https://skemman.is/bitstream/1946/4602/1/Jane_Hofbauer.pdf)
- Holley, C. (2017). Environmental regulation and governance. In P. Drahos (Ed.), *Regulatory theory: Foundations and applications*. Acton: ANU Press.
- Hopf, T. (2004). Discourse and content analysis: Some fundamental incompatibilities. *Qualitative Methods*, 4, 31-33. Retrieved from <https://www.maxwell.syr.edu/uploadedFiles/moynihan/cqrm/Newsletter2.1.pdf>
- Hospes, O. (2014). Marking the success or end of global multi-stakeholder governance? The rise of national sustainability standards in Indonesia and Brazil for palm oil and soy. *Agriculture and Human Values*, 31(3), 425-437. doi 10.1007/s10460-014-9511-9
- HSBC. (2014). *HSCB Statement on Forestry and Palm Oil*. Retrieved from <http://www.hsbc.com/~media/hsbc-com/citizenship/sustainability/pdf/hsbc-statement-on-forestry-and-palm-oil-march-2014.pdf>
- Hsieh, H.F., & Shannon, S.E. (2005). Three approaches to qualitative content analysis. *Qualitative Health Research*, 15(9), 1277-1288. doi: 10.1177/1049732305276687
- Hysing, E. (2009). From government to governance? A comparison of environmental governing in Swedish forestry and transport. *Governance: An International Journal of Policy, Administration, and Institutions*, 22(4), 647-672. Retrieved from <http://onlinelibrary.wiley.com.ezproxy.lib.monash.edu.au/doi/10.1111/j.1468-0491.2009.01457.x/epdf>
- Indonesia Investment. (2017). *Minyak kelapa sawit*. Retrieved from <https://www.indonesia-investments.com/id/bisnis/komoditas/minyak-sawit/item166>
- Indonesia Palm Oil Conference. (2017). *Background*. Retrieved from <http://www.gapkiconference.org/about-event/background>
- Indonesia Palm Oil Customer Care. (2014). *Indonesia Sustainable Palm Oil Handbook 2014*. Jakarta: Indonesia Palm Oil Customer Care (IPOCC).
- Indonesia Palm Oil Customer Care. (2014). *Strategy paper*. Jakarta: Indonesia Palm Oil Customer Care (IPOCC).
- Indonesia Sustainable Palm Oil. (2013). *Welcome*. Retrieved from <http://www.ispo-org.or.id/index.php?lang=ina>
- Indrarto, G.B., Muharjani, P., Khatarina, J., Pulungan, I., Ivalerina, F. Rahman, J., ... Muharrom, E. (2012). *The context of REDD+ in Indonesia: Drivers, agents and institutions* (Working paper No. 92). Retrieved from [http://www.cifor.org/publications/pdf\\_files/WPapers/WP92Resosudarmo.pdf](http://www.cifor.org/publications/pdf_files/WPapers/WP92Resosudarmo.pdf)

- International Institute for Sustainable Development. (2013). *The CERES principles*. Retrieved from [https://www.iisd.org/business/tools/principles\\_ceres.aspx](https://www.iisd.org/business/tools/principles_ceres.aspx)
- ISPO membuat perusahaan patuh pada aturan. (2015, January). *Media Perkebunan*, 134, 30-31.
- Ito, T., Rachman, N.F., & Savitri, L.A. (2014). Power to make land dispossession acceptable: A policy discourse analysis of the Merauke Integrated Food and Energy Estate (MIFEE), Papua, Indonesia. *The Journal of Peasant Studies*, 1-22. <http://dx.doi.org/10.1080/03066150.2013.873029>
- Jennings, R., & Watts, A. (2008). The subject of international law. In L. Oppenheim, R.Y. Jennings, & A. Watts (Eds.), *Oppenheim's International Law* (pp. 117-560). Harlow, Essex, England: Longman.
- Jillson, C. (2009). *American government: Political development and institutional change* (8<sup>th</sup> ed.). Retrieved from <https://ebookcentral-proquest-com.ezproxy.lib.monash.edu.au/lib/monash/detail.action?docID=2127050>
- Jiwan, N. (2013). The political ecology of the Indonesian palm oil industry. In O. Pye & J. Bhattacharya (Eds.), *The palm oil controversy in Southeast Asia: A transnational perspective* (pp. 48-75). Singapore: ISEAS Publishing.
- Johansson, A.C. (2014). Political change and the business elite in Indonesia. *IDEAS Working Paper Series from RePEc*. Retrieved from <https://swopec.hhs.se/hascer/papers/hascer2014-034.pdf>
- Johnstone, N. (2010). Indonesia in the 'REDD': Climate change, indigenous peoples and global legal pluralism. *Asian-Pacific Law & Policy Journal*, 12(1), 93-123. Retrieved from <http://heinonline.org.ezproxy.lib.monash.edu.au/HOL/PrintRequest?collection=journals&handle=hein.journals/aplpj12&div=6&print=section&format=PDFsearchable&submit=Print%2FDownload&id=95>
- Kapur, D., Lewis, J.P., & Webb, R. (1997). *The World Bank: Its first half century Vol. 1*. Washington, D.C.: Brookings Institution Press.
- Karim, M.S. (2008). Future of the haze agreement: Is the glass half empty or half full? *Environmental Policy and Law*, 38(6), 328-334. Retrieved from <http://heinonline.org/HOL/LandingPage?handle=hein.journals/envpola38&div=61&id=&page=>
- Karkkainen, B.C. (2004). Post-sovereign environmental governance. *Global Environmental Politics*, 4(1), 72-96. Retrieved from <http://web.b.ebscohost.com.ezproxy.lib.monash.edu.au/ehost/pdfviewer/pdfviewer?vid=1&sid=a8401d33-d294-4ba5-8cf7-70eb41181f69%40sessionmgr101>
- Kartodihardjo, H., & Supriono, A. (2000). *The impact of sectoral development on natural forest conversion and degradation: The case of timber and tree crop plantations in Indonesia* (Occasional paper No. 26E). Retrieved from <https://www.cifor.org/library/628/the-impact-of-sectoral-development-on-natural-forest-conversion-and-degradation-the-case-of-timber-and-tree-crop-plantations-in-indonesia/>
- Kaufman, J.P. (2013). *Introduction to international relations: Theory and practice*. Lanham, Maryland: Rowman & Littlefield Publishers.
- Kementerian LHK bekukan izin tiga perusahaan perkebunan. (2015, September 22), *Suara Pembaruan*. Retrieved from <http://www.suarapembaruan.com/nasional/kementerian-lhk-bekukan-izin-tiga-perusahaan-perkebunan/96984>

- Kemp, M. (2012). *Sustainability decision making strategies: Palm oil management* (Master thesis). Retrieved from [https://conservancy.umn.edu/bitstream/handle/11299/123491/Kemp\\_Sustainability%20Decision%20Making%20Strategies%20Palm%20Oil%20Management.pdf?sequence=1](https://conservancy.umn.edu/bitstream/handle/11299/123491/Kemp_Sustainability%20Decision%20Making%20Strategies%20Palm%20Oil%20Management.pdf?sequence=1)
- Kim, H.R. (2013). *State-centric of contested social governance in Korea*. New York: Routledge.
- King, D. (1982). *Interest groups and political linkage in Indonesia, 1800-1965*. Dekalb: Northern Illinois University, Center for Southeast Asian Studies.
- Kiple, K.F., & Ornelas, K.C. (2000). *The Cambridge world history of food*. New York: Cambridge University Press.
- Koetze, L. (2012). *Global environmental governance law and regulation for the 21<sup>st</sup> century*. Cheltenham: Edward Elgar Publishing Limited.
- Koh, L.P., & Wilcove, D.S. (2008). Is oil palm agriculture really destroying tropical biodiversity? *Conservation Letters*, 1(2), 60-64. doi: 10.1111/j.1755-263X.2008.00011.x
- Krasner, S.D. (1999). *Sovereignty: Organized hypocrisy*. Princeton, New Jersey: Princeton University Press.
- Laffey, M., & Weldes, J. (2004). Methodological reflections on discourse analysis. *Qualitative Methods*, 4, 28-30. Retrieved from <https://www.maxwell.syr.edu/uploadedFiles/moynihan/cqrm/Newsletter2.1.pdf>
- Lake, D.A. (2003). The new sovereignty in international relations. *International Studies Review*, 5, 303-323. Retrieved from <http://www.jstor.org.ezproxy.lib.monash.edu.au/stable/pdf/3186572.pdf?refreqid=excelsior:a7912f9a7db17411f5348ecb34913bf9>
- Lane, M. (2000). *Indonesia: The legacy of IMF and World Bank rule*. Retrieved from <https://www.greenleft.org.au/content/indonesia-legacy-imf-and-world-bank-rule>
- Lane, M. (2004). 'Re-organisation' of mass politics and the weakened national revolution in the era of neo-liberal globalization (Working paper No. 102). Retrieved from [https://www.murdoch.edu.au/Research-capabilities/Asia-Research-Centre/\\_document/working-papers/wp102.pdf](https://www.murdoch.edu.au/Research-capabilities/Asia-Research-Centre/_document/working-papers/wp102.pdf)
- Laoli, N. (2016, July 18). *Eks pejabat Kementan kritik moratorium sawit*, *Kontan*. Retrieved from <http://industri.kontan.co.id/news/eks-pejabat-kementan-kritik-moratorium-sawit>
- Lefort, C. (1986). *The political forms of modern society: Bureaucracy, democracy, totalitarianism*. Cambridge, Massachusetts: MIT Press.
- Lemos, M.C., & Agrawal, A. (2006). Environmental governance. *Annual Review of Environment and Resources*, 31, 297-325. doi: 10.1146/annurev.energy.31.042605.135621
- Lemos, M.C., & Agrawal, A. (2009). Environmental governance and political science. In M.A. Delmas & O.R. Young (Eds.), *Governance for the environment* (pp. 69-97). Cambridge, UK; New York: Cambridge University Press.
- Li, T.M. (2001). Masyarakat adat, difference, and the limits of recognition in Indonesia's forest zone. *Modern Asian Studies*, 35, 645-676.

- Li, T.M. (2015). *Social impacts of oil palm in Indonesia: A gendered perspective from West Kalimantan* (Occasional paper No. 124). Retrieved from [http://www.cifor.org/publications/pdf\\_files/OccPapers/OP-124.pdf](http://www.cifor.org/publications/pdf_files/OccPapers/OP-124.pdf)
- Lillegraven, A. (2016). *Indonesia's most powerful palm oil company joins push for forest protection*. Retrieved from <http://www.regnskog.no/en/news/astra-agro-lestari-joins-the-indonesian-palm-oil-pledge>
- Linblad, J.T. (2010). Economic growth and decolonisation in Indonesia. *Itinerario*, 34, 97-112. doi: 10.1017/S0165115310000070
- Lisensi dan perizinan. (n.d.). Retrieved from <http://www.mongabay.co.id/lisensi-dan-perizinan/>
- Listiyarini, T. (2015). *Sertifikasi sawit lestari buatan RI disosialisasikan ke Eropa*. Retrieved from <http://www.beritasatu.com/ekonomi/331834-sertifikat-sawit-lestari-buatan-ri-disosialisasikan-ke-eropa.html>
- Lucas, A., & Warren, C. (2013). *Land for the people: The state and agrarian conflict in Indonesia*. Athens: Ohio University Press.
- MacIntyre, A. (1989). In R.J. May & W.J. O'Malley (Eds.), *Observing change in Asia: Essays in honour of J.A.C. Mackie* (pp. 224-234). Bathurst: Crawford House Press.
- MacIntyre, A. (1990). *Business and politics in Indonesia*. North Sydney: Asian Studies Association of Australia in association with Allen & Unwin.
- MacIntyre, A. (1994). *Organising interests: Corporatism in Indonesian politics* (Working paper No. 43). Retrieved from [https://www.murdoch.edu.au/Research-capabilities/Asia-Research-Centre/\\_document/working-papers/WP43.pdf](https://www.murdoch.edu.au/Research-capabilities/Asia-Research-Centre/_document/working-papers/WP43.pdf)
- Mackie, J.A.C. (1961). Indonesia's government estates and their masters. *Pacific Affairs*, 34(4), 337-360. Retrieved from <http://www.jstor.org.ezproxy.lib.monash.edu.au/stable/pdf/2752627.pdf?refreqid=excelsior:2e31617aeb54ed30a39b8c2728721bbd>
- Marti, S. (2008). *Losing ground: The human impacts of palm oil expansion* (Research report). Retrieved from [https://www.foe.co.uk/sites/default/files/downloads/palmed\\_off.pdf](https://www.foe.co.uk/sites/default/files/downloads/palmed_off.pdf)
- Maseland, R., & Peil, J. (2008). Assessing the new Washington pluralism from the perspective of the Malaysian moderl. *Third World Quarterly*, 29(6), 1175-1188. <http://dx.doi.org/10.1080/01436590802201154>
- Mathews, J.T. (2004). Power shift. In F.J. Lechner & J. Boli (Eds.), *The globalization reader* (2<sup>nd</sup> ed.) (pp. 270-276). Malden, USA; Oxford, UK; Carlton, Australia: Blackwell Publishing Ltd.
- Mauzy, D.K., & Milne, R.S. (2002). *Singapore politics under the people's action party*. London; New York: Routledge.
- McCarthy, J., & Zen, Z. (2009). Regulating the oil palm boom: Assessing the effectiveness of environmental governance approaches to agro-industrial pollution in Indonesia. *Law & Policy*, 32(1), 153-179. Retrieved from <http://heinonline.org.ezproxy.lib.monash.edu.au/HOL/PrintRequest?collection=journals&handle=hein.journals/lawpol32&div=11&print=section&format=PDFsearchable&submit=Print%2FDownload&id=155>

- McCarthy, J. (2001a). *Decentralisation, local communities and forest management in Barito Selatan district, Central Kalimantan*. Retrieved from [http://www.cifor.org/publications/pdf\\_files/Books/Decentralisation-Case1.pdf](http://www.cifor.org/publications/pdf_files/Books/Decentralisation-Case1.pdf)
- McCarthy, J. (2001b). *Decentralisation and forest management in Kapuas district, Central Kalimantan*. Retrieved from [http://www.cifor.org/publications/pdf\\_files/Books/Decentralisation-Case2.pdf](http://www.cifor.org/publications/pdf_files/Books/Decentralisation-Case2.pdf)
- McCarthy, J., & Cramb, R. (2016). Introduction. In R. Cramb & J.F. McCarthy (Eds.), *The oil palm complex: Smallholders, agribusiness, and the state in Indonesia and Malaysia* (pp. 1-26). Singapore: NUS Press.
- McVey, R.T. (1970). *Nationalism, Islam, and Marxism*. Ithaca, N.Y.: Modern Indonesia Project, Southeast Asia Program, Dept. of Asian Studies, Cornell University.
- Merdekakan sawit Indonesia dari praktik colonial. (2017). Retrieved from <https://gapki.id/merdekakan-sawit-indonesia-dari-praktik-kolonial/>
- Mert, A. (2013). Hybrid governance mechanism as political instruments: The case of sustainability partnership. *International Environmental Agreements*, 14, 225-244. doi: 10.1007/s10784-013-9221-6
- Milojević, M. (2000). The principle of non-interference in the internal affairs of states. *Law and Politics*, 1(4), 427-447. Retrieved from <http://facta.junis.ni.ac.rs/lap/lap2000/lap2000-07.pdf>
- Ministry of Agriculture. (2015). *Tree crop estate statistics of Indonesia: Palm oil 2014-2016*. Jakarta: Directorate General of Estate Crops.
- Ministry of Environment. (1995). *An atlas of biodiversity in Indonesia*. Jakarta: State Ministry of Environment.
- Ministry of Environment. (2014). *Indonesia meratifikasi Undang-Undang tentang pengesahan Asean Agreement on Transboundary Haze Pollution (Persetujuan ASEAN tentang pencemaran asap lintas batas)*. Retrieved from <http://www.menlh.go.id/indonesia-meratifikasi-undang-undang-tentang-pengesahan-asean-agreement-on-transboundary-haze-pollution-persetujuan-asean-tentang-pencemaran-asap-lintas-batas/>
- Ministry of Foreign Affairs. (2015). *Charter of the establishment of the council of palm oil producing countries (CPOPC)*. Retrieved from [http://treaty.kemlu.go.id/uploads-pub/5979\\_MYS-2015-0156.pdf](http://treaty.kemlu.go.id/uploads-pub/5979_MYS-2015-0156.pdf)
- Ministry of Forestry. (2014). *Statistik Kementerian Kehutanan Tahun 2013*. Jakarta: Ministry of Forestry.
- Mitchell, R.B. (2002-2017). International Environmental Agreements Database Project (Version 2017.1). Retrieved from <http://iea.uoregon.edu/>
- Moertopo, A. (1973). *Some basic thoughts on the acceleration and modernization of 25 years' development*. Jakarta: Yayasan Proklamasi, Center for Strategic and International Studies.
- Moertopo, A. (1981). *Strategi pembangunan nasional*. Jakarta: Yayasan Proklamasi, Centre for Strategic and International Studies.
- Molina, O., & Rhodes, M. (2002). Corporatism: The past, present, and future of a concept. *Annual Review of Political Science*, 5, 305-331. doi: 10.1146/annurev.polisci.5.112701.184858

- Moniaga, S. (1998). *Advocating for community-based forest management in Indonesia's outer islands: Political and legal constraints and opportunities*. IGES international workshop on forest conservation strategies for the Asia and Pacific region, 21-23 July, 1998. Retrieved from [https://pub.iges.or.jp/system/files/publication\\_documents/pub/conferenceproceedings/744/complete-report.pdf](https://pub.iges.or.jp/system/files/publication_documents/pub/conferenceproceedings/744/complete-report.pdf)
- Morgenthau, H.J. (1948). *Politics among nations: The struggle for power and peace*. New York: Alfred A. Knopf.
- Mori, A. (2013). Evolution of environmental governance in the East Asian region: A historical perspective. In A. Mori (Ed.), *Environmental governance for sustainable development: East Asian perspective* (pp. 19-36). Tokyo, Japan: United Nations University Press.
- Mubyarto, Pratiwi, E., Djatmiko, E., Soetrisno, L., Awang, S.A., Dewatara, A.S., & Santiasih. (1992). *Riau dalam kancah perubahan ekonomi global*. Yogyakarta: Aditya Media and P3PK UGM.
- Nagan, W.P., & Hadad, A.M. (2012). Sovereignty in theory and practice. *San Diego International Law Journal*, 13(2), 429-519. Retrieved from <http://heinonline.org.ezproxy.lib.monash.edu.au/HOL/PrintRequest?collection=journals&handle=hein.journals/sdintl13&div=14&print=section&format=PDFsearchable&submit=Print%2FDownload&id=433>
- Nagata, J., & Arai, S.W. (2013). Evolutionary change in the oil palm plantation sector in Riau province, Sumatra. In O. Pye & J. Bhattacharya (Eds.), *The palm oil controversy in Southeast Asia: A transnational perspective* (pp. 76-96). Singapore: ISEAS Publishing.
- Najam, A., Papa, M., & Taiyab, N. (2006). *Global environmental governance: A reform agenda*. Winnipeg, Manitoba, Canada: International Institute for Sustainable Development.
- Nanggara, S.G., Rosalina, L., Kartika, R.Y., & Setyawan, A.A. (2017). *Enam tahun ISPO: Kajian terkait penguatan instrument ISPO dalam merespon dampak-dampak negatif seperti deforestasi, kerusakan ekosistem gambut, kebakaran hutan dan lahan, serta konflik tenurial*. Retrieved from [http://fwi.or.id/wp-content/uploads/2017/03/6\\_tahun\\_ISPO.pdf](http://fwi.or.id/wp-content/uploads/2017/03/6_tahun_ISPO.pdf)
- Nangoy, F. (n.d.). Ministry seeks to extend forest moratorium by two years, *The Jakarta Globe*. Retrieved from <http://jakartaglobe.id/business/ministry-seeks-extend-forest-moratorium-two-years/>
- Nantha, H.S., & Tisdell, C. (2009). The orangutan – oil palm conflict: Economic constraints and opportunities for conservation. *Biodiversity and Conservation*, 18(2), 487-502. doi 10.1007/s10531-008-9512-3
- Nelleman, C., Miles, L., Kaltenborn, B.P., Virtue, M., & Ahlenius, H. (2007). *The last stand of the orangutan – state of emergency: Illegal logging, fire and palm oil in Indonesia's national parks*. Retrieved from [https://www.unep-wcmc.org/resources/PDFs/LastStand/full\\_orangutanreport.pdf](https://www.unep-wcmc.org/resources/PDFs/LastStand/full_orangutanreport.pdf)
- Neville, B.A., & Menguc, B. (2006). Stakeholder multiplicity: Toward an understanding of the interactions between stakeholders. *Journal of Business Ethics*, 66, 377-391. doi: 10.1007/s10551-006-0015-4
- Newton, K., & van Deth, J.W. (2010). *Foundations of comparative politics*. New York: Cambridge University Press.



- Newton, P., Miller, D.C., Byenkya, M.A.A., & Agrawal, A. (2016). Who are forest-dependent people? A taxonomy to aid livelihood and land use decision-making in forested regions. *Land Use Policy*, 57, 388-395. <http://dx.doi.org/10.1016/j.landusepol.2016.05.032>
- Nomura, K. (2006). *The impact of democratisation on environmental governance in Indonesia: NGOs and forest policy networks* (Doctoral dissertation). Retrieved from [http://wrap.warwick.ac.uk/1179/1/WRAP\\_THESIS\\_Nomura\\_2006.pdf](http://wrap.warwick.ac.uk/1179/1/WRAP_THESIS_Nomura_2006.pdf)
- Nugrohou, Y.I. (2017). *ISPO bukti "nyata" sawit di Indonesia sustainable*. Retrieved from <http://perkebunannews.com/2017/04/17/ispo-bukti-nyata-sawit-di-indonesia-sustainable/>
- Obidzinski, K., & Barr, C. (2003). *The effects decentralisation on forests and forest industries in Berau district, East Kalimantan*. Retrieved from [http://webdoc.sub.gwdg.de/ebook/serien/yo/CIFOR\\_CSI/09.pdf](http://webdoc.sub.gwdg.de/ebook/serien/yo/CIFOR_CSI/09.pdf)
- Oil world. (2017). *Annual*. Retrieved from <https://www.oilworld.biz/t/publications/annual>
- Olander, L.P., Boyd, W., Lawlor, K., Madeira, E.M., & Niles, J.O. (2009). *International forest carbon and the climate change challenge: Issues and option*. Retrieved from <https://nicholasinstitute.duke.edu/sites/default/files/publications/international-forest-carbon-and-the-climate-change-challenge-issues-and-options-paper.pdf>
- Oliver, P. (2006). Purposive sampling. In V. Jupp (Ed.), *The SAGE dictionary of social research methods*. London: SAGE Publications Ltd.
- Overseas Development Administration. (1995). *Guidance note on how to do stakeholder analysis of aid projects and programmes*. Retrieved from [https://beamexchange.org/uploads/filer\\_public/5d/4c/5d4c7b02-a25d-43ab-ae33-0e4811b7c5fb/guidance\\_stakeholderanalysis.pdf](https://beamexchange.org/uploads/filer_public/5d/4c/5d4c7b02-a25d-43ab-ae33-0e4811b7c5fb/guidance_stakeholderanalysis.pdf)
- Oxfam Australia. (2014). *Banking on shaky ground: Australia's big four banks and land grabs*. Retrieved from [https://www.oxfam.org.au/wp-content/uploads/site-media/pdf/2014-47%20australia%27s%20big%20%20banks%20and%20land%20grabs\\_fa\\_web.pdf](https://www.oxfam.org.au/wp-content/uploads/site-media/pdf/2014-47%20australia%27s%20big%20%20banks%20and%20land%20grabs_fa_web.pdf)
- Paavola, J. (2005). Institutions and environmental governance: A reconceptualization. *Ecological Economics*, 63, 93-103. doi: 10.1016/j.ecolecon.2006.09.026
- Pacheco, P. (2012, May). *Oil palm in Indonesia linked to trade and investment: Implications for forests*. Paper presented at the Agricultural and Rural Development Learning Exchange 2012, Padang, Indonesia. Retrieved from <http://www.cifor.org/ard/documents/background/day3.pdf>
- Pahlevi, A. (2016). *Di Sintang, 11 Izin Usaha Perkebunan sawit tumpang tindih dengan kawasan hutan*. Retrieved from <http://www.mongabay.co.id/2016/05/22/di-sintang-11-izin-usaha-perkebunan-sawit-tumpang-tindih-dengan-kawasan-hutan/>
- Palupi, S., Prasetyohadi, P., Pahun, C., Kusni, A.S., Sulang, K., Jenito, J., & Warnadi, D. (2014). *Industri perkebunan sawit dan hak asasi manusia: Potret pelaksanaan tanggung jawab pemerintah dan korporasi terhadap hak asasi manusia di Kalimantan Tengah*. Retrieved from [https://www.academia.edu/10322606/Industri\\_Perkebunan\\_Kelapa\\_Sawit\\_dan\\_Hak\\_Asasi\\_Manusia\\_2015?auto=download](https://www.academia.edu/10322606/Industri_Perkebunan_Kelapa_Sawit_dan_Hak_Asasi_Manusia_2015?auto=download)
- Paoli, G., Gillespie, P., Wells, P.L., Hovani, L., Sileuw, A., Franklin, N., & Schweithelm, J. (2013). *Oil palm in Indonesia: Governance, decision making, & implications for sustainable development*. Retrieved from <http://www.nature.or.id/en/publication/forestry-reports-and-guidelines/oil-palm-in-indonesia-eng.pdf>

- PASPI. (2014). *The sustainability of Indonesian palm oil industry – Its role in: Economic growth, rural development, poverty reduction, and environmental sustainability*. Bogor: PASPI.
- PASPI. (2017). Kemajuan hilirisasi minyak sawit Indonesia. *Monitor analisis isu strategis sawit, III* (19/05/2017), 789-796. Retrieved from <http://paspimonitor.or.id/monitor-vol-iii-no-19-kemajuan-hilirisasi-minyak-sawit-indonesia/>
- Pattberg, P. (2009). Private governance organizations in global environmental politics. In F. Biermann, B. Siebenhüner, & Schreyögg (Eds.), *International organizations in global environmental governance* (pp. 224-243). Abingdon, Oxon; New York, NY: Routledge.
- Peet, R. (2003). *Unholy trinity: The IMF, World Bank and WTO*. London: Zed Books.
- Pereira, R., & Gough, O. (2013). Permanent sovereignty over natural resources in the 21st century: Natural resources governance and the right to self-determination of indigenous peoples under international law. *Melbourne Journal of International Law*, 14, 451-495. Retrieved from <http://www.austlii.edu.au/au/journals/MelbJIL/2013/15.pdf>
- Perusahaan sawit tanpa ISPO akan dicabut izinnya. (2015, May 12), *Medan Bisnis Daily*. Retrieved from <http://www.medanbisnisdaily.com/news/read/2015/05/12/163293/perusahaan-sawit-tanpa-ispo-akan-dicabut-izinnya/>
- Peters, B.G., & Pierre, J. (1998). Governance without government? Rethinking public administration. *Journal of Public Administration Research and Theory*, J-PART, 8(2), 223-243. Retrieved from <http://www.jstor.org.ezproxy.lib.monash.edu.au/stable/pdf/1181557.pdf?refreqid=excelsior:41036c939d7b299dbd553e911fe8de8b>
- Petric, E. (2013). *Foreign policy: From conception to diplomatic practice*. Retrieved from <http://booksandjournals.brillonline.com.ezproxy.lib.monash.edu.au/content/books/9789004245501>
- Phillips, R. (2003). *Stakeholder theory and organizational ethics*. San Francisco, CA: Berrett-Koehler.
- Philpott, D. (1997). Ideas and the evolution of sovereignty. In S.H. Hashmi (Ed.), *State sovereignty: Change and persistence in international relations* (pp. 15-47). University Park: Pennsylvania State University Press.
- Pirker, J., & Mosnier, A. (2015). *Global palm oil suitability assessment*. Retrieved from <http://pure.iiasa.ac.at/11682/1/IR-15-006.pdf>
- POIG. (n.d.). *About POIG*. Retrieved from <http://poig.org/>
- Porter, D. (2002). *Managing politics and Islam in Indonesia*. London, New York: RoutledgeCurzon.
- Potter, L. (2008, July). *Dayak resistance to oil palm plantations in West Kalimantan, Indonesia*. Paper presented at the 17<sup>th</sup> Biennial Conference of the Asian Studies Association of Australia, Melbourne, Australia. Retrieved from [https://www.researchgate.net/publication/251346065\\_DAYAK\\_RESISTANCE\\_TO\\_OIL\\_PALM\\_PLANTATIONS\\_IN\\_WEST\\_KALIMANTAN\\_INDONESIA\\_1](https://www.researchgate.net/publication/251346065_DAYAK_RESISTANCE_TO_OIL_PALM_PLANTATIONS_IN_WEST_KALIMANTAN_INDONESIA_1)
- Potter, L. (2012). New transmigration 'paradigm' in Indonesia: Examples from Kalimantan. *Asia Pacific Viewpoint*, 53(3), 272-287. doi: 10.1111/j.1467-8373.2012.01492.x
- Potter, L. (2015). *Managing oil palm landscapes: A seven-country survey of the modern palm oil industry in Southeast Asia, Latin America and West Africa* (Occasional Paper No. 122). Bogor, Indonesia: CIFOR.

- Prokhovnik, R. (2008). *Sovereignty: History and theory*. Exeter, UK: Imprint Academic.
- Pye, O. (2009). Palm oil as a transnational crisis in South-East Asia. *Aktuelle Südostasienforschung/Current Research on South-East Asia*, 2(2), 81-101. Retrieved from <https://aseas.univie.ac.at/index.php/aseas/article/view/507>
- Pye, O. (2013). Introduction. In O. Pye & J. Bhattacharya (Eds.), *The palm oil controversy in Southeast Asia: A transnational perspective* (pp. 1-18). Singapore: ISEAS Publishing.
- Raffiudin, R. (2015). *Withering of patrimonial state-business relations in Indonesia following the 1997-8 economic crisis? Case studies of the electronics and palm oil industries* (Doctoral dissertation). Retrieved from <http://vuir.vu.edu.au/26221/1/Riaty%20Raffiudin.pdf>
- Raghu, A. (2017, May 18). We each consume 17 pounds of palm oil a year. *Bloomberg*. Retrieved from <https://www.bloomberg.com/news/articles/2017-05-17/soap-to-chocolate-we-consume-17-pounds-of-palm-oil-each-year>
- Rahardjo, S. (1994). Between two worlds: Modern state and traditional society in Indonesia. *Law & Society Review*, 28(3), 493-502. Retrieved from <http://web.b.ebscohost.com.ezproxy.lib.monash.edu.au/ehost/pdfviewer/pdfviewer?vid=1&sid=2602b84c-8311-403e-ac58-99367a8c8ba2%40sessionmgr103>
- Rahmawati, A. (2013). *Comparative analysis of the palm oil standards and certification in Indonesia: RSPO versus ISPO* (Discussion paper). Jakarta: Greenpeace Southeast Asia.
- Rainforest Action Network. (2013). *Conflict palm oil case study: Bumitama Agri Ltd: The banks behind Bumitama Agri's destruction of rainforest, peatlands and orangutan habitat*. Retrieved from [https://d3n8a8pro7vhmx.cloudfront.net/rainforestactionnetwork/pages/5828/attachments/original/1431542922/Case\\_Study\\_Bumitama\\_Finance.pdf?1431542922](https://d3n8a8pro7vhmx.cloudfront.net/rainforestactionnetwork/pages/5828/attachments/original/1431542922/Case_Study_Bumitama_Finance.pdf?1431542922)
- Rainforest Alliance. (2016). *Raising the bar on sustainability standards* [Press release]. Retrieved from <http://www.rainforest-alliance.org/press-releases/2017-san-standard-released>
- Reed, M.S., Graves, A., Dandy, N., Posthumus, H., Hubacek, K., Morris, J., . . . Stringer, L.C. (2009). Who's in and why? A typology of stakeholder analysis methods for natural resource management. *Journal of Environmental Management*, 90, 1933-1949. doi: 10.1016/j.jenvman.2009.01.001
- Reeve, D. (1985). *Golkar of Indonesia: An alternative to the party system*. Kuala Lumpur: Oxford University Press.
- Resosudarmo, I.A.P. (2002). Timber management and related policies: A review. In C.J.P. Colfer & I.A.P. Resosudarmo (Eds.), *Which way forward? People, forests, and policymaking in Indonesia* (pp. 161-190). Washington D.C.: RFF Press.
- Ribka, S. (2017, April 11). Only 12% of Indonesia's oil palm plantations ISPO certified, *The Jakarta Post*. Retrieved from <http://www.thejakartapost.com/news/2017/04/12/only-12-of-indonesias-oil-palm-plantations-ispo-certified.html>
- Rich, B.M. (1985). Multilateral development banks: Their role in destroying the global environment. *The Ecologist*, 15(1/2), 56-68. Retrieved from <http://www.resurgence.org/download.cgi?isid=1985-01&serial=ecologist>
- Ridgewell, C.A. (1970). *The "popular" concept of totalitarianism* (Master thesis). Retrieved from [summit.sfu.ca/system/files/iritems1/6139/b16030096.pdf](http://summit.sfu.ca/system/files/iritems1/6139/b16030096.pdf)

- Rist, L., Feintrenie, L., & Levang, P. (2010). The livelihood impacts of oil palm: Smallholders in Indonesia. *Biodiversity and Conservation*, 19(4), 1009-1024. doi 10.1007/s10531-010-9815-z
- Rival, A., & Levang, P. (2014). *Palm of controversies: Oil palm and development challenges*. Retrieved from <https://www.cifor.org/library/4860/palms-of-controversies-oil-palm-and-development-challenges/>
- Robinson, O.C. (2013). Sampling in interview-bases qualitative research: A theoretical and practical guide. *Qualitative Research in Psychology*, 11(1), 25-41.  
<http://dx.doi.org/10.1080/14780887.2013.801543>
- Robison, R. (1993). Indonesia: Tensions in state and regime. In K. Hewison, R. Robison, & G. Rodan (Eds.), *Southeast Asia in the 1990s: Authoritarianism, democracy and capitalism* (pp. 41-74). St. Leonards, NSW: Allen & Unwin.
- Robison, R. (2009). *Indonesia: The rise of capital*. Singapore: Equinox Publishing Asia.
- Rogers, P.W. (2015). *Land reform and the myth of the small farmer in Indonesia's nucleus estate and smallholders program, 1977-2001: Insights from West Java* (Doctoral dissertation).  
<https://doi.org/10.4225/03/58ace22d04c26>
- Rosenau, J.N., & Durfee, M. (2000). *Thinking theory thoroughly: Coherent approaches to an incoherent world*. Boulder, Colorado: Westview Press.
- Roundtable on Sustainable Palm Oil. (2016a). *RSPO impact report*. Retrieved from <http://www.rspo.org/key-documents/impact-reports>
- Roundtable on Sustainable Palm Oil. (2016b). *Factsheet*. Retrieved from <https://www.rspo.org/files/pdf/Factsheet-RSPO-Overview.pdf>
- Roundtable on Sustainable Palm Oil. (2017a). *About us: Vision & Mission*. Retrieved from <http://www.rspo.org/about>
- Roundtable on Sustainable Palm Oil. (2017b). *Sustainable palm oil*. Retrieved from <http://www.rspo.org/about/sustainable-palm-oil>
- Roundtable on Sustainable Palm Oil. (2017c). *Impacts*. Retrieved from <http://www.rspo.org/about/impacts>
- Roundtable on Sustainable Palm Oil. (2017d). *Who we are*. Retrieved from <http://www.rspo.org/about/who-we-are>
- Roundtable on Sustainable Palm Oil. (n.d.). *Promoting the growth and use of sustainable palm oil*. Retrieved from [http://www.rspo.org/files/resource\\_centre/RSPO\\_Fact\\_sheets\\_Extended.pdf](http://www.rspo.org/files/resource_centre/RSPO_Fact_sheets_Extended.pdf)
- Routledge, P. (1997). The Imagineering of resistance: Pollok free state and the practice of postmodern politics. *Transactions of the Institute of British Geographers*, 22(3), 359-376. Retrieved from <http://www.jstor.org.ezproxy.lib.monash.edu.au/stable/pdf/623223.pdf?refreqid=excelsior:8ff69f8c7783d27a699ea02dee4df9ed>
- Ruhanen, L., Scott, N., Ritchie, B., & Tkaczynski, A. (2010). Governance: A review and synthesis of the literature. *Tourism Review*, 65(4), 4-16, Retrieved from <http://www.emeraldinsight.com.ezproxy.lib.monash.edu.au/doi/pdfplus/10.1108/16605371011093836>

- Safitri, M. (2001). Legal pluralism in Indonesia's land and natural resource tenure: A summary of presentations. In M. Colchester & S. Chao (Eds.), *Divers path to justice: Legal pluralism and the rights of indigenous peoples in Southeast Asia* (pp. 126-132). Retrieved from <http://www.forestpeoples.org/sites/default/files/publication/2011/11/divers-paths-justice-cover.pdf>
- Savage, G.T., Nix, T.W., Whitehead, C.J., & Blair, J.D. (1991). Strategies for assessing and managing organizational stakeholders. *The Executive*, 5(2), 61-75. Retrieved from <http://web.a.ebscohost.com.ezproxy.lib.monash.edu.au/ehost/pdfviewer/pdfviewer?vid=1&sid=06f81af5-af54-4037-acf3-3e4c3c5a8452%40sessionmgr4008>
- Sawit Indonesia. (2015). *Luhut Binsar Panjaitan: "Kita usir LSM pengganggu stabilitas ekonomi"*. Retrieved from <https://sawitindonesia.com/rubrikasi-majalah/sajian-utama/luhut-binsar-panjaitan-kita-usir-lsm-pengganggu-stabilitas-ekonomi/>
- Sawit Watch. (2013). *Tingkatkan kesejahteraan buruh perkebunan sawit* [Press release]. Retrieved from <http://sawitwatch.or.id/2013/11/1453/>
- Sawit Watch. (n.d.). *Profil*. Retrieved from <http://sawitwatch.or.id/profil/>
- Schmeer, K. (1999). Stakeholder analysis guidelines. *Policy toolkit for strengthening health sector reform*. Retrieved from <http://www.paho.org/hq/documents/policytoolkitforstrengtheninghealthsectorreformparti-EN.pdf>
- Schmitter, P.C. (1974). Still the century of corporatism? *The Review of Politics*, 36(1), 85-131. Retrieved from [https://www.cambridge-org.ezproxy.lib.monash.edu.au/core/services/aop-cambridge-core/content/view/DD5C2B4745211F043A83B2C301E10BDC/S0034670500022178a.pdf/still\\_the\\_century\\_of\\_corporatism.pdf](https://www.cambridge-org.ezproxy.lib.monash.edu.au/core/services/aop-cambridge-core/content/view/DD5C2B4745211F043A83B2C301E10BDC/S0034670500022178a.pdf/still_the_century_of_corporatism.pdf)
- Schouten, G., & Glasbergen, P. (2011). Creating legitimacy in global private governance: The case of the Roundtable on Sustainable Palm Oil. *Ecological Economics*, 70, 1891-1899. doi: 10.1016/j.ecolecon.2011.03.012
- Schrijver, N. (1997). *Sovereignty over natural resources: Balancing rights and duties*. Cambridge; New York: Cambridge University Press.
- Schweithelm, J., & Barber, C.V. (2000). *Trial by fire: Forest fires and forestry policy in Indonesia's era of crisis and reform*. Retrieved from <http://www.wri.org/publication/trial-fire>
- Schweithelm, J., & Glover, D. (2009). Causes and impacts of the fires. In D. Glover & T. Jessup (Eds.), *Indonesia's fires and haze: The cost of catastrophe* (pp. 1-13). Singapore: Institute of Southeast Asian Studies.
- Scruggs, L.A. (1999). Institutions and environmental performance in seventeen western democracies. *British Journal of Political Science*, 29(1), 1-31. Retrieved from <http://www.jstor.org.ezproxy.lib.monash.edu.au/stable/pdf/194294.pdf?refreqid=excelsior:c480fdd4dfd286c688e1b4321ea134d2>
- Sebastian, L.C. (2006). *Realpolitik ideology Indonesia's use of military force*. Singapore: Institute of Southeast Asian Studies.
- Serikat Petani Kelapa Sawit. (2014). *Roadmap pekebun sawit mandiri berkelanjutan*. Jakarta: SPKS

- Serikat Petani Kelapa Sawit. (n.d.). *Profil lembaga*. Retrieved from <https://www.spksnasional.or.id/profil-lembaga/>
- SHARP. (2012-2016). *Nature of the partnership*. Retrieved from <http://www.sharp-partnership.org/about-sharp/sharp-structure-and-governance>
- Sheil, D., Casson, A., Meijaard, E., van Noordwijk, M., Gaskell, J., Sunderland-Groves, J., Wertz, K., & Kanninen, M. (2009). *The impacts and opportunities of oil palm in Southeast Asia: What do we know and what do we need to know?* (Occasional paper). Retrieved from <https://www.cifor.org/library/2792/the-impacts-and-opportunities-of-oil-palm-in-southeast-asia-what-do-we-know-and-what-do-we-need-to-know/>
- Shibao, P. (2015a). *Why palm oil expanded, and what keeps it growing*. Retrieved from <https://news.mongabay.com/2015/03/why-palm-oil-expanded-and-what-keeps-it-growing/>
- Shibao, P. (2015b). *Big palm oil financiers*. Retrieved from <https://news.mongabay.com/2015/07/big-palm-oils-financiers/>
- Shibao, P. (2015c). *Who's funding palm oil*. Retrieved from <https://news.mongabay.com/2015/03/whos-funding-palm-oil/>
- Shinoda, H. (2000). *Re-examining sovereignty: from classical theory to the global age*. London, UK: Macmillan Press Ltd.
- Sinaga, H. (2013). Employment and income of workers on Indonesian oil palm plantations: Food crisis at the micro level. *Future of Food: Journal on Food, Agriculture and Society*, 1(2), 64-78. Retrieved from <http://fofj.org/index.php/journal/article/viewFile/36/47>
- Sirait, M.T. (2009). *Indigenous peoples and oil palm plantation expansion in West Kalimantan, Indonesia*. Retrieved from <http://www.worldagroforestry.org/downloads/Publications/PDFS/RP16385.pdf>
- Siscawati, M. (1998). *Underlying causes of deforestation and forest degradation in Indonesia: A case study on forest fire*. IGES international workshop on forest conservation strategies for the Asia and Pacific region, 21-23 July, 1998. Retrieved from [https://pub.iges.or.jp/system/files/publication\\_documents/pub/conferenceproceedings/744/complete-report.pdf](https://pub.iges.or.jp/system/files/publication_documents/pub/conferenceproceedings/744/complete-report.pdf)
- Slik, F.J.W., Verburg, R.W., & Keßler, P.J.A. (2002). Effects of fire and selective logging on the tree species composition of lowland dipterocarp forest in East Kalimantan, Indonesia. *Biodiversity and Conservation*, 11, 85-98. Retrieved from <https://search-proquest-com.ezproxy.lib.monash.edu.au/docview/858438531?OpenUrlRefId=info:xri/sid:primo&accountid=12528>
- Smedley, T. (2015, October 2015). *If the palm oil industry waited for consumers to care, sustainability would get nowhere*. Retrieved from <https://www.theguardian.com/sustainable-business/2015/oct/26/palm-oil-industry-consumer-understanding-sustainability-cspo-packaging-marks-spencer-boots-ecover>
- Soetarto, E., Sitorus, M.T.F., & Napiri, M.Y. (2001). *Decentralisation of administration, policy making and forest management in Ketapang district, West Kalimantan*. Retrieved from [http://www.cifor.org/publications/pdf\\_files/Books/Decentralisation-Case8.pdf](http://www.cifor.org/publications/pdf_files/Books/Decentralisation-Case8.pdf)
- Speth, J.G., & Haas, P.M. (2006). *Global environmental governance*. Washington: Island Press.

- Spiro, P.J. (2007). Disaggregating US interests in international law. In T.J. Biersteker, P.J. Spiro, C.L. Sriram, & V. Raffo, *International law and international relations: Bridging theory and practice* (pp. 247-265). New York: Routledge.
- Srinivas, H. (n.d.). *The coalition for environmentally responsible economies (CERES) principles*. Retrieved from <http://www.gdrc.org/sustbiz/ceres-principles.html>
- Steans, J., Pettiford, L., Diez, T., & El-Anis, I. (2010). *An introduction to international relations theory: Perspectives and themes*. Essex, England: Pearson Education Limited.
- Stepan, A.C. (1978). *The state and society: Peru in comparative perspective*. Princeton, N.J.: Princeton University Press.
- Stoker, G. (1998). Governance as theory: Five propositions. *International Social Science Journal*, 50(1), 17-28. Retrieved from <http://onlinelibrary.wiley.com.ezproxy.lib.monash.edu.au/doi/10.1111/1468-2451.00106/epdf>
- Stoler, A.L. (1985). *Capitalism and confrontation in Sumatra's plantation belt, 1870-1979*. New Haven: Yale University Press.
- Strippel, J., & Stephan, H. (2013). Global governance. In R. Falkner (Ed.), *The handbook of global climate and environment policy* (pp. 146-162). Sussex, UK: John Wiley & Sons.
- Subagyo. (2016). *Pemerintah siapkan landasan hukum bubarkan IPOP*. Retrieved from <http://www.antarane.ws.com/berita/551660/pemerintah-siapkan-landasan-hukum-bubarkan-ipop>
- Sukma, R. (2012). Domestic politics and international posture: Constraints and possibilities. In A. Reid (Ed.), *Indonesia rising: The repositioning of Asia's third giant* (pp. 77-92). Singapore: Institute of Southeast Asian Studies.
- Supriyanto, R.A. (2016). *Developing Indonesia's maritime strategy under President Jokowi*. Retrieved from <http://www.theasanforum.org/developing-indonesias-maritime-strategy-under-president-jokowi-1/>
- Sustainable Palm Oil Manifesto. (2014). Retrieved from [http://www.simedarbyplantation.com/upload/Sustainable\\_Palm\\_Oil\\_Manifesto\\_Sept2014.pdf](http://www.simedarbyplantation.com/upload/Sustainable_Palm_Oil_Manifesto_Sept2014.pdf)
- Sustainable Palm Oil Transparency Toolkit. (2017). Retrieved from <http://www.sustainablepalmoil.org/infographics/>
- Sutaryo, Jaya, W.K., Swasono, S.E., Baswir, R., & Prijambada, I.D. (2015). *Membangun kedaulatan bangsa berdasarkan nilai-nilai Pancasila: Pemberdayaan masyarakat dalam kawasan terluar, terdepan dan tertinggal (3T)* (Kumpulan makalah call for papers Kongres Pancasila VII). Yogyakarta: Pusat Studi Pancasila, Universitas Gadjah Mada
- Swasono, S.E. (1990). *Pembangunan berwawasan sejarah, kedaulatan rakyat, demokrasi ekonomi, dan demokrasi politik*. Padang: UI Press.
- Syarif, A.R. (2010). Exploring REDD+ implementation in Indonesia's state policies for indigenous peoples. In W.V. Alangui, G. Subido, & R. Tinda-an (Eds.), *Indigenous peoples, forests & REDD plus: State forests, policy environment, & ways forward* (pp. 61-138). Retrieved from [http://redd.unfccc.int/uploads/63\\_13\\_redd\\_20110523\\_tebtebba\\_state-of-forests.pdf](http://redd.unfccc.int/uploads/63_13_redd_20110523_tebtebba_state-of-forests.pdf)

- Tacconi, L. (2003). *Fires in Indonesia: Causes, costs and policy implications* (Occasional paper No. 38). Retrieved from <https://www.cifor.org/library/1130/fires-in-indonesia-causes-costs-and-policy-implications-2/>
- Tay, S.S.C. (1999). Southeast Asian fires: The challenge for international environmental law and sustainable development. *The Georgetown International Environmental Law Review*, 11(2), 241-305. Retrieved from <http://heinonline.org.ezproxy.lib.monash.edu.au/HOL/Page?public=false&handle=hein.journals/gintenlr11&page=241&collection=journals>
- Tay, S.S.C. (2002). Fires and haze in Southeast Asia. In P.J. Noda (Ed.), *Cross-sectoral partnership in enhancing human security* (pp. 53-80). Tokyo: Japan Center for International Exchange. Retrieved from [http://www.jcie.org/researchpdfs/CrossSectoral/cross\\_tay.pdf](http://www.jcie.org/researchpdfs/CrossSectoral/cross_tay.pdf)
- Taylor, P.L. (2005). In the market but not of it: Fair trade coffee and forest stewardship council certification as market-based social change. *World Development*, 33(1), 129-147. doi: 10.1016/j.worlddev.2004.07.007
- Tegnan, H. (2015). Legal pluralism and land administration in West Sumatra: The implementation of local and nigrari governments' regulations on communal land tenure. *The Journal of Legal Pluralism and Unofficial Law*, 47(2), 312-323. <http://dx.doi.org/10.1080/07329113.2015.1072386>
- The African Development Bank. (2015). *Environmental and social assessment procedures (ESAP)*. Retrieved from [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/SSS\\_%E2%80%93vol1\\_%E2%80%93Issue4\\_-\\_EN\\_-\\_Environmental\\_and\\_Social\\_Assessment\\_Procedures\\_\\_ESAP\\_.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/SSS_%E2%80%93vol1_%E2%80%93Issue4_-_EN_-_Environmental_and_Social_Assessment_Procedures__ESAP_.pdf)
- The European Bank for Reconstruction and Development. (2015). *Procedures for environmental and social appraisal and monitoring of investment projects*. Retrieved from <http://www.ebrd.com/documents/environment/procedures-for-environmental-and-social-appraisal-and-monitoring-of-investment-projects.pdf>
- The Initiative for Public Policy Analysis. (2016). *Système U's campaign to undermine RSPO*. Retrieved from <http://palmoilfactchecker.org/2016/05/systeme-u/>
- The White House. (2017, August 7). *President Trump announces U.S. withdrawal from the Paris climate accord* [Blog post]. Retrieved from <https://www.whitehouse.gov/blog/2017/06/01/president-donald-j-trump-announces-us-withdrawal-paris-climate-accord>
- Thomson, J.E. (1995). State sovereignty in international relations: Bridging the gap between theory and empirical research. *International Studies Quarterly*, 39(2), 213-233. Retrieved from <http://www.jstor.org.ezproxy.lib.monash.edu.au/stable/pdf/2600847.pdf?refreqid=excelsior:e9efc825323ce3b22a0d40b4a518faad>
- Thorburn, C.C. (2004). The plot thickens: Land administration and policy in post-New Order Indonesia. *Asia Pacific Viewpoint*, 45(1), 33-49. Retrieved from <http://web.a.ebscohost.com.ezproxy.lib.monash.edu.au/ehost/pdfviewer/pdfviewer?vid=1&sid=cfb5bd9a-5e62-4347-9fbd-b136b24c8098%40sessionmgr4009>
- Thorburn, C.C., & Kull, C.A. (2015). Peatlands and plantations in Sumatra, Indonesia: Complex realities for resource governance, rural development and climate change mitigation. *Asia Pacific Viewpoint*, 56(1), 153-168. Retrieved from



<http://web.a.ebscohost.com.ezproxy.lib.monash.edu.au/ehost/pdfviewer/pdfviewer?vid=1&sid=c1716883-9bf8-4f2d-a053-5896ff00032a%40sessionmgr4008>

- Toussaint, E. (2008). *The World Bank: A critical primer*. London; Ann Arbor, MI: Pluto Press; Toronto: Between the Lines; Cape Town: David Philip Publishers; Liege, Belgium: CADTM, Committee for the Abolition of Third World Debt.
- TuK Indonesia. (2014). *Kuasa taipan kelapa sawit Indonesia*. Retrieved from <http://www.tuk.or.id/wp-content/uploads/2015/03/Buku-Saku-Kuasa-Taipan-Kelapa-Sawit-di-Indonesia-final-banget.pdf>
- United Nations Development Programme. (2012). *Sharing experience in access to justice: Engaging with non-state justice systems & conducting assessments*. Retrieved from [http://www.undp.org/content/dam/rbap/docs/Research%20&%20Publications/democratic\\_governance/RBAP-DG-2012-Sharing-A2J-Experience.pdf](http://www.undp.org/content/dam/rbap/docs/Research%20&%20Publications/democratic_governance/RBAP-DG-2012-Sharing-A2J-Experience.pdf)
- United Nations Framework Convention on Climate Change. (2014a). *Kyoto protocol*. Retrieved from [http://unfccc.int/kyoto\\_protocol/items/2830.php](http://unfccc.int/kyoto_protocol/items/2830.php)
- United Nations Framework Convention on Climate Change. (2014b). *The Paris agreement*. Retrieved from [http://unfccc.int/paris\\_agreement/items/9485.php](http://unfccc.int/paris_agreement/items/9485.php)
- United Nations. (2017). *Audiovisual library on international law*. Retrieved from [http://legal.un.org/avl/ha/ga\\_1803/ga\\_1803.html](http://legal.un.org/avl/ha/ga_1803/ga_1803.html)
- Utomo, Y.W. (2015, September 15). *Terbukti, kebakaran terjadi di lahan milik 24 perusahaan sawit dan Akasia, Kompas*. Retrieved from <http://sains.kompas.com/read/2015/09/15/19245761/Terbukti.Kebakaran.Terjadi.di.Lahan.Milik.24.Perusahaan.Sawit.dan.Akasia>
- van Gelder, J.W. (2001). *Swiss banks and palm oil and pulp & paper in Indonesia* (Research paper). Retrieved from <assets.panda.org/downloads/swissbankswwf011220.pdf>
- van Gelder, J.W. (2004). *Greasy palms: European buyers of Indonesian palm oil*. Retrieved from [https://www.foe.co.uk/sites/default/files/downloads/greasy\\_palms\\_buyers.pdf](https://www.foe.co.uk/sites/default/files/downloads/greasy_palms_buyers.pdf)
- van Nieuwstadt, M.G.L., & Sheil, D. (2005). Drought, fire and tree survival in a Borneo rain forest, East Kalimantan, Indonesia. *Journal of Ecology*, 93(1), 191-201. doi: 10. 111 1/j. 1 365-2745.2005.00954
- Varkkey, H. (2013). Regional cooperation, patronage and the ASEAN agreement on transboundary haze pollution. *International Environmental Agreements*, 14, 65-81. doi 10.1007/s10784-013-9217-2
- Varkkey, H. (2016). *The haze problem in Southeast Asia: Palm oil and patronage*. Retrieved from <https://ebookcentral-proquest-com.ezproxy.lib.monash.edu.au/lib/monash/detail.action?docID=3569924>
- Verherdimanto. (2015). *WALHI: Mayoritas titik api berada di wilayah konsesi HTI dan perkebunan sawit*. Retrieved from <http://www.zonalima.com/artikel/4957/WALHI-Mayoritas-Titik-Api-Berada-di-Wilayah-Konsesi-HTI-dan-Perkebunan-Sawit/>
- Vermeer, K. (2017). *Banks and palm oil*. Retrieved from [http://www.banktrack.org/show/pages/banks\\_and\\_palm\\_oil](http://www.banktrack.org/show/pages/banks_and_palm_oil)
- Viotti, P.R., & Kauppi, M.V. (2013). *International relations and world politics* (5<sup>th</sup>). Boston: Pearson.

- Voruz, V. (2002). Sovereignty, power and resistance. *International Journal for the Semiotics of Law*, 15, 231-252. Retrieved from <https://link-springer-com.ezproxy.lib.monash.edu.au/content/pdf/10.1023%2FA%3A1016593216440.pdf>
- Wachhaus, A. (2014). Governance beyond government. *Administration & Society*, 46(5), 573-593. doi: 10.1177/0095399713513140
- Wade, R. (1997). Greening the bank: The struggle over the environment. In D. Kapur, J.P. Lewis, & R. Webb (Eds.), *The World Bank: Its first half century Vol. 2* (pp. 611-734). Washington, D.C.: Brookings Institution Press.
- Wahyunto, Ritung, S., Suparto, & Subagjo, H. (2005). *Sebaran gambut dan kandungan karbon di Sumatera dan Kalimantan 2004*. Retrieved from <https://indonesia.wetlands.org/id/publikasi/sebaran-gambut-dan-kandungan-karbon-di-sumatera-dan-kalimantan-2004/>
- Wakker, E. (2000). *Funding forest destruction: The involvement of Dutch banks in the financing of oil palm plantations in Indonesia*. (Report for Greenpeace Netherlands). Retrieved from [www.profundo.nl/files/download/Greenpeace0003.pdf](http://www.profundo.nl/files/download/Greenpeace0003.pdf)
- Wakker, E. (2013). Leveraging product and capital flows to promote sustainability in the palm oil industry. In O. Pye & J. Bhattacharya (Eds.), *The palm oil controversy in Southeast Asia: A transnational perspective* (pp. 1-18). Singapore: ISEAS Publishing.
- WALHI. (2015, October 6). *Jejak api korporasi di Indonesia* [Tweet]. Retrieved from [https://twitter.com/walhinasional?ref\\_src=twsrc%5Egoogle%7Ctwcamp%5Eserp%7Ctwgr%5Eauthor](https://twitter.com/walhinasional?ref_src=twsrc%5Egoogle%7Ctwcamp%5Eserp%7Ctwgr%5Eauthor)
- Waltz, K. (1979). *Theory of international politics*. Reading, Massachusetts: Addison-Wesley Publishing Company.
- Wang, C.C.K. (2001). *Legal pluralism in Indonesia: Anachronism or an idea whose time has come?* Retrieved from <http://www.wanglaw.net/files/indonesia1.pdf>
- Wasesa, R. (2016). *Kisah pertemuan Sukarno dengan Marhaen, petani yang menginspirasi marhaenisme*. Retrieved from <http://sukarno.org/kisah-pertemuan-sukarno-dengan-marhaen-petani-yang-menginspirasi-marhaenisme/>
- Watts, D. (2007). *Pressure groups*. Edinburgh: Edinburgh University Press.
- Weinstein, F.B. (1976). *Indonesian foreign policy and the dilemma of dependence: From Sukarno to Soeharto*. Ithaca, N.Y.: Cornell University Press.
- Wendt, A., & Friedheim, D. (1996). Hierarchy under anarchy: Informal empire and the East German state. In T.J. Biersteker & C. Weber (Eds.), *State sovereignty as social construct* (pp. 240-277). Cambridge: Cambridge University Press.
- Whitelum, B. (2003). *Rhetoric and reality in the World Bank's relations with NGOs: An Indonesian case study* (Doctoral dissertation). Retrieved from <https://openresearch-repository.anu.edu.au/bitstream/1885/48017/6/02whole.pdf>
- Wiarda, H.J. (1997). *Corporatism and comparative politics: the other great "ism"*. Armonk, NY: M.E. Sharpe
- Wibowo, L.R., Murdiati, C.W.M., Race, D., & Murdiningrum, Y.A. (2012). Forest policy and legal pluralism: a case study in Luwu district, Indonesia. *INDONESIA Law Review*, 1, 1-22. Retrieved

from

<http://download.portalgaruda.org/article.php?article=163378&val=5975&title=Forest%20Policy%20and%20Legal%20Pluralism:%20A%20Case%20Study%20in%20Luwu%20District,%20Indonesia>

- Wich, S., Riswan, Jenson, J., Refisch, J., & Nelleman, C. (2011). *Orangutans and the economics of sustainable forest management in Sumatra*. Retrieved from [https://gridarendal-website.s3.amazonaws.com/production/documents/:s\\_document/173/original/orangutan\\_report\\_lr.pdf?1484143874](https://gridarendal-website.s3.amazonaws.com/production/documents/:s_document/173/original/orangutan_report_lr.pdf?1484143874)
- Widjaja, I.W. (2002). Bung Hatta merancang dasar-dasar negara. In S.E. Swasono (Ed.), *Bung Hatta: Bapak kedaulatan rakyat* (pp. 42-61). Jakarta: Yayasan Hatta.
- Wie, T.K. (1977). *Plantation agriculture and export growth: An economic history of East Sumatra, 1863-1942*. Jakarta: National Institute of Economic and Social Research.
- Wijaya, A., & Glasbergen, P. (2016). Toward a new scenario in agricultural sustainability certification? The response of the Indonesian national government to private certification. *Journal of Environment & Development*, 25(2), 219-246. doi: 10.1177/1070496516640857
- Wollenberg, E., Belcher, B., Sheil, D., Dewi, S., & Moeliono, M. (2004). Why are forest areas relevant to reducing poverty in Indonesia? *Governance Brief*, 4, 1-6. Retrieved from [http://www.cifor.org/publications/pdf\\_files/govbrief/GovBrief0404.pdf](http://www.cifor.org/publications/pdf_files/govbrief/GovBrief0404.pdf)
- World Bank. (1988). *Indonesia: The transmigration program in perspective*. Retrieved from <http://documents.worldbank.org/curated/en/353671468771708841/pdf/multi-page.pdf>
- World Bank. (1999). *Operational policies: Environmental Assessment*. Retrieved from <http://siteresources.worldbank.org/OPSMANUAL/Resources/4.01.OP.EnvironmentalAssessment.pdf>
- World Bank. (2001). *Stakeholder analysis*. Retrieved from <http://www1.worldbank.org/publicsector/anticorrupt/PoliticalEconomy/stakeholderanalysis.htm>
- World Bank. (2008). *Forging the middle ground: Engaging non-state justice in Indonesia*. Retrieved from [http://siteresources.worldbank.org/INTJUSFORPOOR/Resources/Forging\\_the\\_Middle\\_Ground\\_Engaging\\_Non\\_State\\_Justice\\_in\\_Indonesia.pdf](http://siteresources.worldbank.org/INTJUSFORPOOR/Resources/Forging_the_Middle_Ground_Engaging_Non_State_Justice_in_Indonesia.pdf)
- World Bank. (2011). *The World Bank Group reengages palm oil sector*. Retrieved from <http://www.worldbank.org/en/news/feature/2011/04/03/world-bank-group-reengages-palm-oil-sector>
- World Bank. (2017). *What we do*. Retrieved from <http://www.worldbank.org/en/about/what-we-do>
- World Bank/International Finance Corporation. (2011). *The World Bank group framework and IFC strategy for engagement in the palm oil sector*. Retrieved from [https://www.ifc.org/wps/wcm/connect/159dce004ea3bd0fb359f71dc0e8434d/WBG+Framework+and+IFC+Strategy\\_FINAL\\_FOR+WEB.pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/159dce004ea3bd0fb359f71dc0e8434d/WBG+Framework+and+IFC+Strategy_FINAL_FOR+WEB.pdf?MOD=AJPERES)
- World Growth. (2011). *The economic benefit of palm oil to Indonesia* (Report). Retrieved from [http://worldgrowth.org/site/wp-content/uploads/2012/06/WG\\_Indonesian\\_Palm\\_Oil\\_Benefits\\_Report-2\\_11.pdf](http://worldgrowth.org/site/wp-content/uploads/2012/06/WG_Indonesian_Palm_Oil_Benefits_Report-2_11.pdf)

- World Resources Institute. (2003). *World resources 2002-2004: Decisions for the earth: balance, voice, and power*. Retrieved from [http://pdf.wri.org/wr2002\\_fullreport.pdf](http://pdf.wri.org/wr2002_fullreport.pdf)
- Worldwide Fund for Nature Indonesia. (2008). *Deforestation, forest degradation, biodiversity loss and CO2 emissions in Riau, Sumatra, Indonesia: One Indonesian province's forest and peat soil carbon loss over a quarter century and its plans for the future* (Technical report). Retrieved from [http://assets.panda.org/downloads/riau\\_co2\\_report\\_\\_wwf\\_id\\_27feb08\\_en\\_lr\\_.pdf](http://assets.panda.org/downloads/riau_co2_report__wwf_id_27feb08_en_lr_.pdf)
- Worldwide Fund for Nature. (2013). *2013 Palm oil buyers scorecard: Measuring the progress of palm oil buyers: Sustainability, conservation, climate change*. Retrieved from [http://assets.panda.org/downloads/po\\_scorecard\\_2013\\_latest.pdf](http://assets.panda.org/downloads/po_scorecard_2013_latest.pdf)
- Worldwide Fund for Nature. (2015). *Sustainable finance in Singapore, Indonesia and Malaysia: A review of financiers' ESG practices, disclosure standards and regulations*. Retrieved from [http://d2ouvy59p0dg6k.cloudfront.net/downloads/wwf\\_frc\\_forest\\_risk\\_commodities\\_report\\_2015\\_online\\_1.pdf](http://d2ouvy59p0dg6k.cloudfront.net/downloads/wwf_frc_forest_risk_commodities_report_2015_online_1.pdf)
- Worldwide Fund for Nature. (2016). *2016 Palm oil buyers scorecard: Measuring the progress of palm oil buyers: Sustainability, conservation, climate change*. Retrieved from [https://palmoilscorecard.panda.org/file/WWF\\_Palm\\_Oil\\_Scorecard\\_2016.pdf](https://palmoilscorecard.panda.org/file/WWF_Palm_Oil_Scorecard_2016.pdf)
- Worldwide Fund for Nature. (2017). *Aquaculture dialogues*. Retrieved from [http://wwf.panda.org/what\\_we\\_do/footprint/agriculture/shrimp/aquaculture\\_dialogues/](http://wwf.panda.org/what_we_do/footprint/agriculture/shrimp/aquaculture_dialogues/)
- Worldwide Fund for Nature. (n.d). *Palm oil innovation group*. Retrieved from [http://wwf.panda.org/what\\_we\\_do/footprint/agriculture/palm\\_oil/solutions/palm\\_oil\\_innovation\\_group/](http://wwf.panda.org/what_we_do/footprint/agriculture/palm_oil/solutions/palm_oil_innovation_group/)
- Wroughton, L. (2009). *World Bank's IFC suspend palm oil investment*. Retrieved from <http://www.reuters.com/article/us-worldbank-palmoil-idUSTRE5886OD20090909>
- Yamin, M. (1982). *Proklamasi dan konstitusi Indonesia*. Jakarta: Ghalia Indonesia.
- Yazid, S. (2010). *Responding to democratisation and globalisation: NGOs influence on Indonesia's policies on labour migration* (Doctoral dissertation). Retrieved from <https://ndownloader.figshare.com/files/7375897>
- Yeager, C. (2008). *Conservation of tropical forests and biological diversity in Indonesia*. USAID report No. 118.
- Yeager, C.P., Marshall, A.J., Stickler, C.M., & Chapman, C.A. (2003). Effects of fires on peat swamp and lowland dipterocarp forests in Kalimantan, Indonesia. *Tropical Biodiversity*, 8(1), 121-138. Retrieved from <https://sites.lsa.umich.edu/wp-content/uploads/sites/162/2014/09/Yeager-et-al.-2003-Kalimantan-forest-fires.pdf>
- Yin, R.K. (2009). *Case study research: Design and methods* (4<sup>th</sup> ed.). Thousand Oaks, California: SAGE Publications.
- Young, O.R. (1999). *Governance in world affairs*. Ithaca, NY: Cornell University Press.
- Young, O.R. (2009). *Governance for sustainable development in a world of rising interdependencies*. In M.A. Delmas & O.R. Young (Eds.), *Governance for the environment* (pp. 12-40). Cambridge, UK; New York: Cambridge University Press.