

## ARTICLES

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### *South-led Governance for a Southern Commodity: The Case for Indonesian and Indian Leadership in Palm Oil Sustainability Transitions*

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Dr Helena Varkkey and Shofwan Choiruzzad

#### **Abstract**

Palm oil is the cheapest, most produced, and most consumed vegetable oil worldwide. It is produced in the global South and, in many of these countries, has been framed as a 'golden crop' bringing development and prosperity to rural areas where the crop is cultivated. However, the expansion and intensification of palm oil have been linked to many environmental and social issues. Concern over these issues has largely stemmed from consumers in the global North, resulting in Northern-led policies (e.g. the EU's RED II), certification standards (RSPO), and other forms of governance to accelerate and guide the sustainability transition of the sector. This paper questions if the South should continue to be norm takers (or norm responders), and the North norm entrepreneurs of palm oil sustainability transitions. Indonesia is the world's largest producer and exporter of palm oil, while India is the world's largest importer and consumer. While many producers and governments in the South are motivated to adopt Northern mechanisms to maintain their market share, there remain high levels of resistance as the mechanisms are perceived to lack cognisance of uniquely Southern concerns about development and survival. This paper argues that leadership provided by Indonesia and India may be a more successful path forward for sustainability transitions in palm oil for the benefit of the global palm oil complex.

**Keywords:** palm oil, Indonesia, India, sustainability governance, sustainability norms, South-South relations,

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### *Palm Oil as a Uniquely 'Southern' Crop*

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Oil palm grows well in areas having an annual rainfall of between 1780–2280 mm and a temperature range of 24–30°C. Due to this, the oil palm can only grow well within a narrow tropical band of about sixteen degrees North and South of the equator, where conditions are constantly hot and humid (Corley and Tinker). The oil palm was first cultivated to produce palm oil for commercial purposes in equatorial West Africa in the 18th and 19th centuries (Robins).

In 1848, Dutch colonisers brought four West African palms to Indonesia and planted them in Buitenzorg (now Bogor) Botanical Gardens on the island of Java. Indonesia's oil palm frontier began from the Dutch core commercial plantation belt in North Sumatera in 1911. It gradually extended into surrounding areas close to existing processing facilities like Riau in South Sumatera. Indonesian palms were eventually brought to Malaya (now Malaysia), where the crop was more intensely cultivated. During the 1980s rubber price crash, Malaysia's lucrative returns from palm oil provided the impetus for the Indonesian government to systematically and strategically expand the cultivation of this crop. Palm oil smallholdings and commercial plantations soon spread to the outer Indonesian islands of Kalimantan, Sulawesi, and West Papua. In 2008, Indonesia overtook Malaysia as the world's largest palm oil producer and has held this position ever since (Varkkey, *The Haze Problem in Southeast Asia - Palm Oil and Patronage*). Today, Indonesia produces about 59% of the world's palm oil, followed by Malaysia (24%) and Thailand (4%) (Foreign Agricultural Service USDA).

India is the world's largest importer and consumer of palm oil, followed by China and the European Union (IndexMundi). It imports most of its palm oil from Indonesia (supplying about 80% of India's palm oil), followed by Malaysia (Jadhav and Varghese). As a developing country with a large proportion of its population classified as poor, affordable palm oil has become the primary edible oil source for the country. About 90% of imported palm oil is used for cooking oil and other edible products, with the remaining 10% going towards non-food uses like cosmetics, detergents, and

biodiesel (Schleifer, "Private Governance Undermined: India and the Roundtable on Sustainable Palm Oil"). India's demand for palm oil is set to double by 2030 (Sagar et al.).

With Indonesia being the largest producer of palm oil and India being the largest consumer of the commodity, palm oil is a commodity squarely rooted in the global South. However, concerns about environmental and social sustainability have caught the attention of actors in the global North. While this is understandable due to the planetary nature of the environmental impact of the industry, such as deforestation, this has led to the development of Northern-led policies and certification standards imposed upon Southern producers of the crop who wish to continue exporting palm oil to Northern markets. As expected, the success of such initiatives is limited, partly due to the resistance and mixed responses from many actors in the producing countries. This paper explores the problems arising from such a situation where the global North acts as norm entrepreneurs while the South remains norm takers of palm oil sustainability transitions. It argues that governance leadership by palm oil's largest producer and consumer states may provide a more successful path forward for the sustainability of the global palm oil complex. This article does acknowledge that there are social and environmental problems caused by the palm oil industry, but it argues that South-led sustainability governance—which adequately recognises the unique situation and trade-offs faced by Southern countries, as well as the role and responsibility of the North in shaping the current climate crisis and the limited choices of developing countries—will potentially be a more effective driver for a sustainability transition.

### *Socio-Environmental Issues in the Palm Oil Sector*

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Palm oil comes from the fruit of the oil palm (*Elaeis guineensis*), which is extracted by cooking and compressing it. It is extremely efficient in terms of land use: only 0.26 hectares of planted land is needed to produce a tonne of palm oil. This is much less than other popular oil crops like rapeseed (1.25 hectares), sunflower (1.43 hectares), and soybean (2 hectares). Hence, palm oil provides 35% of the global supply of vegetable oil on less than 10% of the world's oil cropland (IUCN Oil Palm

Task Force 2018). This, together with low mechanisation and cheap labour, has made palm oil the cheapest vegetable oil. Its chemical and physical stability also makes it suitable for use in a wide range of food products, cosmetics, pharmaceuticals, oleochemicals, and biofuels (Varkkey). A WWF report estimated that it is used in about 50% of all packaged products in supermarkets (WWF, n.d.). It is an important source of oils and fats for a large proportion of the global population, and it is projected that global demand for palm oil will increase at a rate of 1.7% yearly until 2050 (IUCN Oil Palm Task Force 2018).

The historically increasing global demand for palm oil has heightened the demand for land to cultivate palm oil. Hence, the palm oil sector has long been associated with unsustainable deforestation. Vijay (Vijay et al.) examined the recent history (1989-2013) of expansion in the oil palm plantation area and the degree to which it was associated with deforestation. In Indonesia, there was a 91.7% increase in oil palm planted area during this time, 53.8% of which came from deforestation. Similar rates of deforestation were found in Malaysia. This has also increased human-wildlife conflicts and threatened vulnerable species living in these areas (Yaap et al.). Miettinen et al. (Miettinen et al.) furthermore found that 73% of all industrial plantations on peatlands in Indonesia and Malaysia are oil palm plantations. The expansion of palm oil on these carbon-rich peatlands in Indonesia and Malaysia has also accelerated carbon release into the atmosphere. It has also increased the frequency and intensity of peat fires that pollute the air locally and across the region (Varkkey, *The Haze Problem in Southeast Asia - Palm Oil and Patronage*). The situation is most severe in Indonesia. Almost annually during the dry season, millions of Indonesians living close to the fires are exposed to toxic smoke known as haze. A recent study on the 2015 haze episode estimated 91,600 excess deaths from haze in Indonesia (Koplitz et al.). Unsustainable practices on palm oil plantations in Indonesia and Malaysia have also been found to have increased flood risk over time (Lupascu et al.) and caused water stress in surrounding communities (Miller et al.).

Palm oil expansion has also been linked to land conflicts resulting in the displacement of natives and consequent loss of livelihoods. Arbitrary land licensing procedures and piecemeal recognition of native customary land rights have resulted in commercial palm oil plantations being granted concession permits despite contestations by locals (Cramb; Gellert). In Indonesia, some of these land conflicts also coincide with government transmigration programmes to provide workers for plantations. In such cases, the more educated and skilled migrants (compared to the locals) accrue the most employment benefits, leading to further conflicts between locals and migrants (Obidzinski et al.; Santika et al.). There have also been highly publicised reports of labour abuses on plantations (Mason and McDowell), particularly on forced and child labour and the poor treatment of women labourers.

It cannot be denied that sustainability is a major issue in the palm oil sector and that the sector should transition towards more sustainable forms of production. However, this paper argues that the shaping of governance mechanisms in this sector is unfavourable and incompatible with the global South. This is especially important because palm oil production and most of its consumption occur in this part of the world, in the Global South. The following section traces the development of the governance of sustainability transitions in the palm oil sector driven by actors in the Global North, from how socio-environmental issues in producer countries caught the attention of Northern sustainability-conscious consumers to how such consumer pressures gave rise to specific Northern-based policies and mechanisms to govern sustainability transitions in the palm oil sector. Importantly, it shows the limits to the effectiveness of these mechanisms without the buy-in from producer countries in the South.

### *Northern-Led Sustainability Governance Mechanisms*

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In the early 2000s, Northern-based environmental non-governmental organisations began to organise campaigns to raise awareness about unsustainable practices within the palm oil industry. Several major palm oil buyers, like Burger King, Unilever, and Nestle, were pressured to cancel contracts

with their suppliers (Varkkey, *The Haze Problem in Southeast Asia - Palm Oil and Patronage*). These NGOs also encouraged (mainly Northern) consumers to boycott products containing palm oil. For example, in 2010, Greenpeace spearheaded a campaign urging consumers to boycott 'Killer' Kit Kat and other Nestle products containing palm oil. In 2018, Greenpeace released an advertisement called 'Rang Tan', highlighting the '25 orangutans we lose every day' to palm oil-linked deforestation (Greenpeace). The same year, Iceland, a major supermarket chain in the UK, announced that it would ban palm oil in its own-brand products by the end of the year.

Over time, major environmental NGOs like Greenpeace and WWF have shifted their stance from 'anti-palm oil' to 'pro-sustainable palm oil'. This came through the understanding of palm oil's key position as the world's most efficient vegetable oil. A boycott or major shift away from palm oil would result in a shift of demand to other vegetable oil crops, which are less efficient. This would merely drive deforestation elsewhere, and likely at an accelerated pace. For example, WWF launched its first Palm Oil Buyers Scorecard in 2009 to assess manufacturers, retailers, food service and hospitality companies on their commitments and actions in favour of sustainable palm oil (WWF). However, earlier campaigns had already drastically soiled the reputation of palm oil among Northern consumers, with many products highlighting being 'palm oil-free' as a unique selling point to attract buyers.

WWF also spearheaded the establishment of the Roundtable of Sustainable Palm Oil (RSPO) in 2004, along with Unilever, Migros (a supermarket chain based in Switzerland), AAK (an oils and fats processor in Sweden), and the Malaysian Palm Oil Association. Following a 'roundtable' format, RSPO's members consist of oil palm producers, processors or traders, consumer goods manufacturers, retailers, banks or investors, and NGOs who collectively develop and implement global standards for sustainable palm oil. RSPO's environmental and social Principles and Criteria aim to help minimise the negative impact of palm oil cultivation on the environment and communities in palm oil-producing regions (RSPO, *RSPO - About*). Through a third-party auditing

and monitoring system, companies must comply with these P&Cs to qualify for Certified Sustainable Palm Oil (CSPO) status (Pacheco et al.).

The European Union has also announced renewables, deforestation, and supply chain regulations, which may delimit access to European markets. A key example is the EU Renewable Energy Directive II (EU RED II) announced in December 2018, which followed a European Parliament vote on the issue. The EU RED II rules that biofuels derived from high-risk indirect land-use change (significant expansion of the production area into land with high carbon stock) should freeze at 2019 levels and phase out by 2030 unless specific batches are certified as low-risk. EU calculations quantify palm oil as having 45% greenhouse gas savings, which overshoots the EU's low-risk threshold of 65% (recently increased from 35%). This almost automatically disqualifies palm oil as a biofuel feedstock for the EU's renewable energy calculations (Meredith; Oosterveer).

### *Mixed Responses and Resistance from the South*

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The introduction of sustainability standards by actors in the Global North can be understood as a form of norm-building, in which an actor or group of actors, alternatively called "norm entrepreneurs" or "norm makers", actively build a set of appropriate or desirable behaviour for the international community ("norm") and then diffuse it to other actors globally after successfully achieving enough acceptance (Finnemore and Sikkink; Jinnah; Elgstrom). While early scholars of norms diffusion tend to see the promoted norms as "universal" or "international," as Acharya had criticised (Acharya), later studies put more attention on the contestation or negotiation happening throughout this process (Elgstrom; Jinnah; Acharya). In this context, we can understand the responses of the actors in the Global South, such as the Indonesian government and the palm oil producers, as part of this contestation. Rather than merely playing the role of "norm acceptor" passively socialised to the norm of sustainability standards, they are responding as "norm shakers" ("actors who challenge the applicability of the existing norms"), "norm resister" ("actors who resist the norm-making role of other actors"), and even "norm-maker" ("actors who introduce, advocate the

institutionalisation, and influence how established norms change over time") by creating a new alternative norm in the form of alternative sustainability standards (Jinnah).

The Indonesian government responded harshly to NGO campaigns on the negative socio-environmental impacts of palm oil, as well as RED II. While not clearly identifying the actors it sees as responsible, the Indonesian government publicly accused that there is a continuous '*kampanye hitam*' (black campaign) by foreign agents to bring down Indonesia's palm oil industry. In public statements, government officials frequently mentioned that such black campaigns were orchestrated not to save the environment or the people but motivated by the interests of rival vegetable oil producers (including the EU and the US). In 2019, in a controversial move during the haze season, Indonesia's Ministry of Communication and Information launched the public relations campaign '*Sawit Baik*' (Good Oil Palm) to raise awareness and combat negative publicity in the sector. In 2020, the Malaysian government and the Malaysian Palm Oil Council (MPOC) launched a '*Sawit Anugerah Tuhan*' (Palm Oil – God's Gift) campaign 2020 with similar objectives to Indonesia's campaign.

On the certification front, there have been mixed messages. Major palm oil producers in Indonesia and Malaysia have obtained RSPO certification. The total RSPO-certified land area in both countries is steadily increasing, with 14.5% and 20% of Indonesian and Malaysian plantation areas certified, respectively. However, the Indonesian Palm Oil Association, GAPKI (*Gabungan Pengusaha Kelapa Sawit Indonesia*), withdrew its membership from RSPO in 2011 (Reuters Staff, "UPDATE 1- Indonesian Palm Oil Association Quits RSPO Membership"). Shortly after, Indonesia introduced its own certification scheme, the Indonesian Sustainable Palm Oil (ISPO), with Malaysian following suit with the MSPO (Malaysian Sustainable Palm Oil) in 2014. This was in response to concerns from both countries that RSPO regulations were too strict and did not adequately consider the needs of smallholders.



Indonesia and Malaysia harshly derided the European Parliament's vote to indirectly limit the import of palm oil by 2030, with Indonesia describing it as a protectionist move and Malaysia calling it 'crop apartheid' (Reuters Staff, "European Move to Ban Palm Oil from Biofuels Is 'crop Apartheid' - Malaysia"). When the EU RED II policy came into being, both countries argued that the EU RED II violates the WTO's principle of non-discrimination (Arief et al.) and has the potential to damage the reputation of palm oil in non-biofuel EU markets (Kurniaty). The WTO's basic free trade tenets are understood such that if a foreign product looks like a domestic product, it should not be taxed or sanctioned differently from the latter. In this case, rapeseed oil (a locally produced oil in Europe) and palm oil are virtually identical in terms of functions and physical characteristics (Erixon and Abbott). Both countries coordinated official requests for consultation with the WTO Dispute Settlement Body over 'certain measures concerning palm oil and oil palm crop-based biofuels' in relation to the EU RED II. Indonesia submitted its request in December 2019, with a panel being formed in November 2020, and Malaysia reserving its right to participate in the proceedings as a third party. Malaysia also submitted its own official request for WTO consultation in early 2021.

Southern palm oil producers' defensive and non-cooperative responses to the sustainability governance mechanisms developed and applied by Northern consumer states in this sector should not be surprising. Firstly, despite considerable efforts by producer firms in the South to obtain RSPO certification, the take up of RSPO-certified palm oil among buyers has been hovering at only 50% (Nesadurai), which means that about half of the sustainable palm oil produced cannot be sold at a premium – an indication that demand for sustainable palm oil may only be lip service. Taken together with the EU RED II, which further shifts goalposts, it does seem that Northern consumers and their governments do not take Southern efforts, towards sustainability transitions in the palm oil sector, seriously.

### *How Sustainability Looks Like in the South*

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Within the palm oil-producing countries of the Global South, palm oil is known as the 'golden crop'. It is credited with bringing development and modernity to rural areas and lifting millions out of poverty. In Indonesia, the palm oil sector employs about 20 million Indonesians directly and indirectly. Palm oil is Indonesia's largest agricultural export and contributes 4-7% of the Indonesian GDP annually (Varkkey et al.). It has been identified as a strategic sector at the presidential level, with various administrations creating special taskforces to oversee industry sustainability and reform (Choiruzzad et al.). Palm oil even figures prominently on the 1993 issue of the Indonesian IDR1,000 coin, its highest coin denomination.

As a developing country, the focus and priority placed on development are expected. While countries like Indonesia have acknowledged the importance of developing sustainably, economic development remains the priority. Therefore, when faced with external (Northern) criticisms of important sources of income and development, these criticisms are viewed as coming from countries which are already developed and with little understanding of the very real challenges associated with development and survival.

The producer countries' responses towards sustainability standards, such as the RSPO, are overshadowed and further complicated by suspicion towards an alleged 'trade war' waged by powerful and rich developed countries. Government officials and businesses share a popular perception that such sustainability standards were imposed towards palm oil to curtail its competitiveness (Choiruzzad). There is a sense of postcolonial trauma, which makes policymakers and politicians tend to see criticisms from developed countries on the palm oil industry not as a genuine expression of environmental concern but as another case of bullying from their former colonial rulers. It is especially despised because these policymakers, especially those in the Ministry of Foreign Affairs and the Ministry of Trade, witnessed that the same powerful other is often inconsistent in their environmental or trade commitments. In this context, boycotts and bans are

viewed not as motivators for sustainability transitions but as potential tools of apartheid – stopping development in its tracks.

Such sentiments can be traced back to responses from the South to European timber boycotts in the 1990s. Mahathir Mohamed, former Malaysian Prime Minister, called out what he saw as a new form of colonialism at the United Nations Conference on Earth and Development (UNCED) held in Rio de Janeiro in 1992: *'most developed countries ... they clear-felled their forests ... Yet we hear from the rich, proposals which would result in stopping the development of poor countries in order to reduce pollution ... This is the same as telling these poor countries that they must continue to be poor because their forests and other resources are more precious than themselves ... Denying them their own resources will impoverish them and retard their development... As colonies we were exploited. Now as independent nations we are to be equally exploited'* (Mohamed).

Malaysia has identified its palm oil as 'sustainable since 1917' (Varkkey, *The Haze Problem in Southeast Asia - Palm Oil and Patronage*), based on the fact that the sector has flourished since Malaysia's first commercial plantation was established in 1917 in Tennameram Estate, Selangor. Both countries have also developed extensive sustainability standards under the ISPO and MSPO schemes. In contrast to the RSPO, these national schemes rely on a jurisdictional approach to national government regulations (Oosterveer). Smallholders benefit from government assistance to achieve these mandatory requirements (Pacheco et al.). Focusing on inclusiveness and livelihoods, these schemes have been described as 'lifting the floor' for sustainability standards and not just the ceiling – like the RSPO.

India is, of course, also a developing country, facing similar pressures of development and survival. As the world's largest palm oil consumer, India is on RSPO's priority list of countries, and RSPO has been actively engaging with market players here. However, the companies operating in the Indian market show little interest in the RSPO, with only eight companies operating in India having

obtained certification (Schleifer, "Private Governance Undermined: India and the Roundtable on Sustainable Palm Oil"). Schleifer (2016) points out how in India, around 89% of palm oil is sold unpackaged and unbranded (mainly as cooking oil), while only 11% is sold as branded cooking oil or as an ingredient in branded products. Hence, a sustainability model based on brand association will not work in a market like India. The low importance of brands makes it very difficult for the RSPO to establish a presence in this market, even if key brands (begin to) commit to sustainability agendas. Hence, in the main palm oil consumer state, any sustainability transition will likely look very different from what the North envisages.

### *Can the South be Sustainability Leaders? Southern Distrust and the Importance of Agency and Recognition*

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With development becoming the priority of countries such as India and Indonesia, it is understandable that many are sceptical of the notion that the South can be sustainability leaders. This is especially true in Europe, where the populace and policymakers see the EU as *the* global champion in environmental issues (Kilian and Elgström).

Aligned with the EU's own conception that it is a green leader and champion of climate change issues, the popular view also sees Europe as a relatively responsible actor in protecting the environment. In a 2007 Eurobarometer study, 43% of European respondents thought that biodiversity loss was a *very* serious problem in their country, while 69% thought it was a *very* serious *global* problem (Flash Eurobarometer 219). The pattern is quite similar to the 2015 results, which reported that 91% of respondents think that the decline and possible extinction of animals, plants, natural habitats and ecosystems is a serious global issue, while just over three quarters (76%) perceive it as a serious problem in their country (Special Eurobarometer 436). The Eurobarometer Survey on the Attitudes of European Citizens towards the Environment found that the environment 'has an indisputable importance in the lives of Europeans', as 96% of the respondents express that protecting the environment is important for them personally (Special Eurobarometer 295). The survey results

indicate that Europeans tend to believe that environmental problems occur more frequently outside their own country (and region) and that environmental governance in their own country or region is relatively better than in many other parts of the world.

A self-conception as a green leader or an environmental champion that projects and diffuses global environmental norms is not a bad thing in itself. It is even desperately needed at this time of climate crisis. However, in many cases, such well-intended self-conception or initiatives often become counterproductive when they neglect or undermine the agency of others.

Such a situation is nothing new and not limited to palm oil. Historically, the rise of environmental awareness in the North coincided with the period of decolonisation in the South. As colonisation was seen as an imposition of political and economic control aimed at exploiting the resource-rich South and led to underdevelopment in the South, many newly independent countries see economic development as among the *raison d'être* of their state. Indonesia, for example, put '*memajukan kesejahteraan umum*' (improving the people's welfare) as one of the objectives of the establishment of the Republic of Indonesia. Because of this, when environmental issues emerged at the centre of international political discourse, promoted by actors in the North, which for centuries had exploited the riches of the South without any consideration of the environmental impact, many developing countries sceptically perceived this as imperialist designs to alter the trajectory of growth of their former colonies (Srivastava). The debate and divide between the North and the South were temporarily managed by acknowledging the importance of both development and environmental sustainability through the concept of 'sustainable development' and 'common but differentiated responsibilities' (Ward; Srivastava). Nevertheless, the tensions between North-South or developed-developing countries continues in the subsequent climate negotiations, in which the South and the North compete to push different interpretation and operationalisation of the concepts, including the categorisation of developed and developing countries (Jinnah).

This competing interpretation of concepts and differing prioritisation in the complex trade-off between development and environment, in the context of postcolonial international relations, is the crux of the matter in the international politics of the environment. This is, of course, also visible in the context of the palm oil controversy. The responses of developing countries—especially producing countries such as Indonesia and Malaysia—towards North-based governance initiatives to push for more responsible and sustainable business practices in the palm oil sector show such a situation.

When the leaders of these two largest palm oil-producing countries met in February 2021, the palm oil issue shaped a huge part of the meeting. The meeting was followed up by a press conference, in which the Indonesian President and the Malaysian Prime Minister reiterated their commitments to fight against, what the two leaders consider, an organised anti-palm oil campaign against the multilateral commitments (Karmini). This reflects the general distrust towards the sincerity of North-based environmental governance already present since the 1960s (Srivastava pp. 102).

The factors sustaining such distrust are complex and not monolithic. Competitions among social forces matter at different scales of governance. The role of the palm oil industry does matter (Choiruzzad), as well as the competition between different groups at local, national, and global levels (Choiruzzad et al.). However, the lack of recognition of the agency of the South, as well as the lack of recognition that it can be a leader in environmental initiatives in its own right, is also one important aspect of why such distrusts prevail. The usual story is that the South/developing countries are positioned as norm takers while the North is positioned as norm entrepreneurs.

Recognition of agency matters not only in the international negotiations and platforms but also in the initiatives that emerged from non-state actors, such as RSPO. While RSPO put its secretariat in Kuala Lumpur and put Malaysian companies as among the founders of the initiative, many actors in the South—especially government and companies, and some segments of the smallholders—view

this as mere tokenism. RSPO is perceived as a North-based initiative made in, by, and for European interests. Among the most vocal critics against RSPO are the GAPKI (Gabungan Pengusaha Kelapa Sawit Indonesia, the Indonesian Palm Oil Association), which represents companies, and APKASINDO (Asosiasi Petani Kelapa Sawit Indonesia, the Oil Palm Smallholders' Association), which represents some segments of smallholders. It must be noted, though, that companies and smallholders are not monolithic entities. Some groups, such as the SPKS (Serikat Petani Kelapa Sawit, Oil Palm Smallholders Union) and FORTASBI (Sustainable Oil Palm Farmers Forum, Forum Petani Sawit Berkelanjutan Indonesia) find the opportunity in RSPO to give them a better position in smallholders-companies relationship. However, critics have a closer relationship with the policymakers and are thus more influential.

The distrust grows as the RSPO continue to upgrade its standards following pressures from NGOs. An important milestone for this was the establishment of RSPO's Compensation Task Force in 2011. The members from producer backgrounds rejected the proposal, but the task force was established anyway due to the uncompromising pressure from NGO members. Such a situation leaves a bad taste in the producers' mouths, which see that RSPO is increasingly dominated by NGOs and no longer truly a multistakeholder platform. Such an impression becomes stronger when the NGOs, who are also members of RSPO, criticised RSPO in public for not doing enough.

Another complaint by the producers is the perception that there is a tendency for 'moving the goalposts.' They argue that they have tried their best to comply with the standard and make enough sacrifices, but when they can fulfil such a standard, the standard or its interpretation is modified. According to the producers, RSPO's General Assembly frequently stepped beyond its mandate by forcing votes for adjustments to the P&C, which according to the producers would lead to diminishing credibility (RSPO, *Roundtable on Sustainable Palm Oil 7 Th General Assembly (GA7)- Approved at GA8*). The producers also lamented that the NGOs are not being helpful by highlighting

failures and not appreciating the achievements of the companies to uphold the sustainability standards (RSPO, *Roundtable on Sustainable Palm Oil 6 Th General Assembly (GA7)-Approved at GA7*).

But the strongest discontent among producers is the view that non-producer members, mostly based in the global North, shift the burdens to the producers in the South. As standards continuously become more stringent, the associated costs to achieve such standards are also increasing, and only the producers in the South are paying for this. With this concern in mind, the producer once proposed that the audit, certification, and verification costs should be shared among stakeholders in the palm oil value chain (RSPO, *Roundtable on Sustainable Palm Oil 3 Rd General Assembly (GA3)-Approved at GA4*). Not only being rejected, but the producers are also disappointed because the Chairman of the General Assembly was not acting neutral by explicitly stating his rejection of the proposal, which he saw as a violation of the institution's Antitrust Guideline (RSPO, "EB 04-06: Minutes of Executive Board Meeting").

For many producers, the non-producer members (mostly from the North) are not simply irresponsible by demanding the relatively poorer producers bear sustainability costs. For the producers, this is seen clearly in the low uptake of the Certified Sustainable Palm Oil (CSPO). Although producers have paid huge costs to make CSPO, only around 50% of them are absorbed by the market every year. The expected premiums or sales also did not come because of the unwillingness of the buyers in the North to buy CSPO. One media report relayed this by saying that the world produces lots of sustainable palm oil, but not many people are buying it (Raghu). Looking at this statistic, the producers accused downstream companies in the North of being hypocritical because they cooperate with the NGOs to continuously tighten the standards but do not want to cut their profits by buying certified palm oil. According to this accusation, the downstream companies support the NGO and the stricter standards not because they care about sustainability but only to save their own image to



appease their North-based consumer base. GAPKI finally decided to exit the RSPO in 2011, while its Malaysian counterpart, the MPOA (Malaysian Palm Oil Association), had threatened to do so but retained its membership (Adnan). It must be noted, though, that many GAPKI members (palm oil companies) retain their RSPO membership individually.

Agency matters. The relatively dominant role of the North/Europe in shaping the discussions on the sustainability of palm oil triggered near-instinctual resistance from the South, as it happened on other issues related to development. Furthermore, it also does not fit with the reality of the palm oil economy. The commodity is produced in the South and the largest consumers are also in the South. It is a sector that provides the opportunity for the South to prove that it can develop its own sustainability standards if those at both ends of the supply chain (mostly in the South) and those affected by the industry can engage creatively and responsibly.

### *Going Beyond Reactionary: South-South Leadership in Oil Palm Sustainability Transitions*

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The notion and implementation of the South taking a leadership role in addressing environmental issues is not a novel concept. Many studies have highlighted how the South are not merely norm takers but also norm makers (and shakers) in various environmental issues (Ward; Srivistava; Jinnah). Recent initiatives such as the Trilateral Alliance between three countries with the largest rainforests (Brazil, Indonesia, and Congo) also show that when the South work together in areas where they have the leverage, it can successfully insist on its agency and leadership (Hanbury).

The outcome reached during the 27<sup>th</sup> Conference of Parties of the United Nations Climate Change Conference (COP27) in November 2022 can also be seen as a victory, at least partially, for the South. The loss and damage concept refers to 'the negative effects of climate change that we have not been able to avoid through emissions reductions (mitigation) and that people have not been able to cope with or adapt to' (Verchick 3), is a concept pushed by the South despite resistance from the North. Developed countries such as the US, and in the EU, had insisted that rather than establishing a

separate discussion or funding mechanism related to climate-related disasters, countries can rely on Hyogo and Sendai frameworks on Disaster Risk Reduction. Looking at this move as the North's strategy to evade responsibility, the South frequently invoke the principles of the 'no-harm rule' and 'polluter pays principle' and argue that since developed countries have contributed more to climate change than developing and low-income ones, developed countries should pay more to reduce risks in the South. Developing countries argue that including climate-related disaster merely under the frameworks of Hyogo and Sendai ignores the North's responsibility and presents it as philanthropy. With the persistent campaign, the South gradually won the recognition of the concept through the Warsaw International Mechanism for Loss and Damage and its incorporation into Article 8 of the Paris Agreement (Verchick). The last achievement was the breakthrough agreement to provide 'loss and damage' funding for vulnerable countries hit hard by climate disasters, agreed upon at COP27 (UN Climate Change).

However, in the palm oil sector, the South, which dominates the production and market for the commodity, is acting merely as a norm taker or norm responder. The major initiatives to govern sustainability came from the North, while the South is responding to them, often in an ambiguous manner. For example, the ISPO and MSPO, developed respectively by Indonesia and Malaysia, were more of a reaction towards the North-initiated RSPO. Many observers see Indonesia trying to develop the ISPO as rival governance to reclaim the governance of sustainability in the palm oil sector (Hospes). However, it is still pretty much shaped by RSPO since the ISPO copied many aspects of the principles and requirements for sustainability established by the RSPO, but with some modifications. Some Indonesian observers even called the ISPO a 'counterfeit RSPO product' (Christiawan). While some observers view ISPO as an attempt to 'challenge the interventions from the North' (Hospes), it does not appear to be successful.

Another reaction to the reclaim initiative is the establishment of the Council of Palm Oil Producing Countries (CPOPC), which aims to develop a bloc of producing countries that can have stronger

leverage towards the North in shaping palm oil governance. This is the 'classic' Southern strategy of producer cartel-building by leveraging the fact that they legally control the ownership of many strategic natural resources, which were exploited for the interests of the North since the colonial period. OPEC is one prominent example of this. However, unlike OPEC, since only two producers dominate palm oil production, Indonesia and Malaysia, not many other countries feel the urgency of being involved. Indonesia and Malaysia are also often in competition for the palm oil market, further hampering policy coordination through CPOPC.

*Table 1: Initiatives by Indonesia to Take Back the Driving Seat in Palm Oil Sustainability Governance*

<b>Initiative</b>	<b>Strategy</b>	<b>Basic assumption</b>	<b>Actor Involved</b>	<b>Challenges</b>
ISPO	Developing rival governance	Trade War: Palm oil becomes the target of a black campaign from rival vegetable oil producers (EU, US) through North-based sustainability initiatives such as RSPO. Indonesia needs to develop its own sustainability certification which is more appropriate for the Indonesian context.	Government of Indonesia	Many in the market consider ISPO as less legitimate.
CPOPC	Cartel-building	Trade War: Palm oil, as the strategic commodity of developing countries, is attacked by rival vegetable oil producers (EU, US) to hinder the development trajectories of developing countries. Responding to this, producing countries must coordinate their actions.	Governments of producing countries	Lack of enthusiasm; coordination problem since Indonesia and Malaysia are also competitors
Initiating the proposal to establish Voluntary Guidelines for Sustainable Vegetable Oils in Support of SDGs	Enlargement of the playing field	Trade War: Palm oil, as the strategic commodity of developing countries, is attacked by rival vegetable oil producers (EU, US) to hinder the development trajectories of developing countries. Palm Oil is	Government of Indonesia	The impact is still unclear since the process is still ongoing.

<p>in FAO's Committee on Commodity Problems.</p>		<p>unfairly constrained by multiple sustainability governance, while other vegetable oils are not facing such scrutiny because the producers are powerful Northern countries.</p>		
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Another significant initiative involves more than just a defensive stance; it encompasses what the Indonesian government considers a 'counter-attack' against the so-called black campaign targeting palm oil. The narrative behind the initiative goes like this: despite being more competitive and taking less land to produce more (and thus having a smaller environmental impact compared to rival vegetable oils), palm oil is unfairly scrutinised. As a result, palm oil is heavily governed by many sustainability mechanisms, threatening its competitiveness. To level the playing field, Indonesia must ensure rival vegetable oils are also constrained by similar sustainability mechanisms. The Republic of Indonesia officially proposed the IGG (Intergovernmental Group) on Oilseeds, Oils and Fats to formulate voluntary guidelines on vegetable oils in support of the Sustainable Development Goals (SDGs) during the 72<sup>nd</sup> Session of the Committee on Commodity Problems (CCP), held on 26-28 September 2018. The result is still unclear as this is an ongoing process.

It is important to note that the different strategies are driven by a single basic assumption that there is an ongoing trade war against palm oil. This assumption grows from the distrust of sustainability initiatives established by developed countries, which also happened to be rival vegetable oil producers. By understanding this, we can comprehend why palm oil sustainability initiatives developed and/or dominated by Northern actors will not work effectively. However, the suspicion, and sometimes obsession, regarding the existence of a trade war can hinder the effectiveness of responses from producing countries or their initiatives aimed at reclaiming sustainability governance. The situation is undoubtedly more complex than that.

### *Way Forward for South-led Governance for Palm Oil*

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Against this backdrop, South-led sustainability governance, which adequately recognises the unique situation and trade-offs faced by Southern countries, as well as the role and responsibility of the North in shaping the current climate crisis and the limited choices of the developing countries, will potentially be a more effective driver for a sustainability transition. An initiative developed by producers and consumers in the South could alleviate the distrust and make a more reliable sustainability mechanism. This increased agency may also increase the motivation and interest in sustainability in markets like India, which is currently limited and slow.

Indonesia (and Malaysia) and India, the largest producers and consumers of palm oil, can lead such an initiative. India and Indonesia can start by establishing a bilateral multistakeholder consultation platform which discusses how the producers and consumers of palm oil can genuinely balance development and socio-environmental concerns. Such a platform must include underrepresented groups with a stake in the palm oil economy, from smallholders to workers to poor households. Based on the recommendation, a mechanism to improve sustainability in the industry can be proposed by focusing more on empowerment rather than standard-making. India and Indonesia can push for a fund for sustainability or use part of the forest alliance financing to support smallholders and vulnerable groups along the palm oil supply chain.

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