

Palm oil companies exploit Indonesia's people - and its corrupt political machine

Efforts to prevent deforestation, protect indigenous communities and help smallholders overlook the rich vein of criminality in the plantation sector



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Tomasz Johnson

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Throughout Indonesia, a vast archipelago draped across the equator, a human rights crisis simmers.

Over the past two decades, indigenous communities have seen the government hand their land over to private companies. These companies are largely producing one of two commodities: fast-growing timber species to supply the pulp and paper industry or palm oil, a remarkably versatile edible oil.

Despite President Joko Widodo's promise to crack down on deforestation from palm oil expansion last year, the launch of the mandatory Indonesian Sustainable Palm Oil certification scheme and a raft of voluntary commitments by palm oil companies, destruction and exploitation remain the norm.

The government estimates that thousands of communities are involved in active or latent conflicts with companies, the state and each other as a result. Individuals from Sumatra in the west to Papua in the east have become labourers on their own land. This is also an environmental disaster, as plantations for these crops surge into forests and carbon-rich peatlands.

Private sector pressure

Pressure from NGOs on the companies complicit in this crisis has led to a cascade of so-called zero-deforestation commitments in recent years. The world's biggest palm oil growers, traders and buyers are now on board with what, on paper, suggests a new dawn.

The challenges of implementing these pledges, which also include commitments to respecting rights, are manifold and complex. This much has been made abundantly clear in recent weeks. Last month, the Roundtable on Sustainable Palm Oil (RSPO) found that Golden Agri-Resources (GAR), the biggest palm oil producer in Indonesia, has failed to respect the free, prior and informed consent of indigenous communities.

GAR was among the first of the major palm oil firms to commit to an ambitious and wide-reaching voluntary policy to protect forests and rights. The RSPO has now instructed GAR to cease expanding until this is resolved.

The Forest Trust (TFT) is a non-profit which has been working with PT SMART - GAR's plantation company - since 2011 to help the Singapore-based business implement its policy. TFT has now suspended PT SMART's membership, although the non-profit is still working with GAR's trading arm.

These developments are a stark reminder of the challenges of transforming an industry and, above all, the dangers of reliance on voluntary commitments.

Indeed, the failure of the Indonesian government to reciprocate progressive reforms within the industry is allowing other smaller, more opaque firms to step in and start working in ecologically sensitive areas that many larger firms avoid. While GAR's failings undoubtedly represent a step backwards, it is arguably the actions of the sections of the industry not subject to the same reputational pressure that now pose the gravest threat to Indonesia's forests.

Several such companies were featured in the report *Permitting Crime*, released by the Environmental Investigation Agency in December 2014. This documents how these opaque companies continued to illegally destroy large swaths of biodiverse, carbon-rich forests against the wishes of local communities. The evidence indicates there are more than enough of these companies to undermine the impact of the zero-deforestation commitments.

These firms are, ultimately, making use of a political and economic environment in Indonesia that remains conducive to deforestation and rights abuses.

The roots of the crisis

To understand the crisis it is valuable to look back to 1967. Then, in order to facilitate access for principally foreign firms to Indonesia's vast natural resources and thereby generate hard currency, the New Order regime passed a law that designated 70% of the country as state forest.

In one fell swoop this vast area, home to millions, came under the direct control of the government. Under this regime, the government has since been leasing indigenous lands to private companies to clear forest and cultivate palm oil.

The situation grew worse in the years after the fall of the regime in the late 1990s. A programme of decentralisation of power created hundreds of fiefdoms governed by locally elected officials. These *bupatis*, or regents require cash to fund notoriously costly elections. They exercise almost complete control over land allocation and use it to facilitate access for plantation companies, irrespective of environmental criteria or the desires of their electorate. They also routinely come under investigation by the state's corruption watchdogs.

In-depth research into the way the government allocates land has revealed a rich vein of criminality in the plantation sector. While legal mechanisms do exist to limit and mitigate the impacts of concessions, they are routinely ignored by companies in an effort to maximise their landholdings. They are able to do so only because of the complicity of government officials in the first instance, and because enforcement apparatus in the country refuses to bring the law to bear.

Addressing the political economy

This is, then, a problem exploited by the private sector rather than created by it. By extension, the private sector cannot solve it alone.

The zero-deforestation firms would be the first to admit they need regulatory support for their new values to make them sustainable. For several years, companies setting aside ecologically

sensitive areas within their landbanks have seen them reallocated by local governments to other companies. Without a legal basis for these principles, they cannot be effectively spread across the industry, and even into others.

It is therefore a positive step that the zero-deforestation firms have begun actively engaging the Indonesian government to find ways to embed their progressive principles in law. Several major palm oil growers have now signed the Indonesian Palm Oil Pledge, which commits them to lobbying for improved policies.

However, to institute lasting reform, the government must also confront some difficult questions about the corruption involved in land allocation and the absence of law enforcement. There is a risk that improved policies will be fundamentally undermined by the brazen criminality of *bupatis* and the opaque firms in league with them.

Even more pressing than jailing corrupt officials, Indonesia needs to institute radical transparency in the process of land allocation. We need the chance to identify and preempt damaging and criminal developments before they occur, to give communities the opportunity to make informed economic decisions for themselves.

The palm oil frontier is pushing into increasingly remote areas of southeast Asia and West Africa. In these places, the forests are rich and forest-dependent communities are less able to adapt to a life of plantation work.

The need to end the unaccountable and unconstitutional theft of customary forests has never been greater.

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