

The (Re-) Positioning of the Indonesian and Malaysian State in the Sustainable Palm Oil Governance: An Empirical Contribution to the Idea of “Cunning States”



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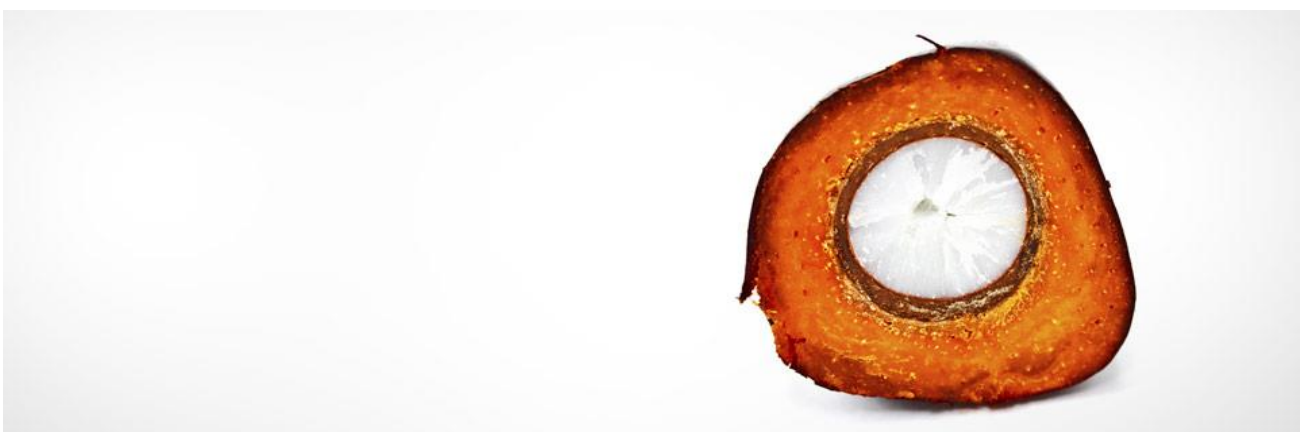
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ABSTRACT:

International non-state certification organisations, like the RSPO, have been established in the last decennia and have considerably challenged the position of states in regulating their domestic realm. The RSPO certification of palm oil in Indonesia is one example for this development. This thesis investigates the positioning of the Indonesian state vis-a-vis other state actors, international institutions and especially non-state actors in the governance of sustainable palm oil and compares this to the situation in Malaysia. For this purpose 26 interviews have been conducted with key stakeholders in the palm oil sector in Jakarta and Kuala Lumpur. Randeria's (2003 (1), 2003 (2) and 2007) theory about the cunning state, shows how states, in contrast to how it is often framed, remain influential agents next to global non-state players. Cunning states make use of their perceived weakness in order to escape the responsibility of dealing with problems related to poverty and environmental degradation. This thesis shows how the Indonesian state is struggling to maintain its sovereignty and to (re)position itself in the governance of sustainable palm oil. At first the Ministry of Agriculture cooperated with the RSPO but as the requirements became stricter the ministry decided to protect its own industry and developed a national, mandatory certification scheme, the ISPO. In order to legitimate their authority and sovereignty claims the key actors around this standard make use of discursive and networking strategies through which they position themselves vis-à-vis external state and non-state actors. Indonesia can be described as a typical cunning state that appears to be weak at first but that actually manages to exercise authority within its 'room for manoeuvre'. If this is always to the benefit of the poor is, however, questionable. Malaysia on the other hand is presenting itself as a strong, sovereign state that is not dependent on external actors, like the RSPO, or that seeks recognition from the international community. Many might expect that Indonesia and Malaysia could work together and establish one standard that challenges the RSPO. This, however, is unrealistic because the states are approaching the sustainability debate about palm oil completely different according to their way of exercising state authority.

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INTRODUCTION

Background:

This thesis seeks to investigate the role of the Indonesian and, to a lesser extent, the Malaysian state in the contested field of sustainable palm oil. Multiple state and non-state actors claim their share of authority in the process of governing palm oil and struggle over decision-making power.

Palm oil has become one of the most important commodities for the food industry which uses the vegetable oil in more than 80% of their products, such as chocolates, biscuits or ice-cream and even shampoo and other cosmetics (WWF, 2014). Palm oil is a very efficient crop which can be produced cheap (Tan et al. 2009) and it has unique properties compared to rapeseed, soy or olive oil (Aini and Miskandar, 2007) making it a much valued ingredient for processed food. Indonesia and Malaysia together account for about 85% of the whole crude palm oil production which has benefited the countries' economies significantly (Carter et al 2007). However, palm oil has a bad reputation among environmental NGOs and consumer organizations who pressure for higher sustainability standards in the palm oil industry (Schouten and Glasbergen, 2011). Vast areas of natural rainforest have been converted into palm oil plantations which contributes to both, an increase of greenhouse gas emissions and a loss of biodiversity due to the destruction of natural habitats (Fitzherbert et al. 2008). Reportedly, corruption at the local level in Indonesia leads to an illegal and irreversible conversion of protected forest into agricultural land which accelerates the loss of forest land (Wicke et al. 2011). Such uncontrolled sale and conversion of land often results in land right conflicts between local or indigenous people and the operating companies (Rist et al. 2010).

These environmental and social tensions have caused the well-known environmental NGO 'WWF' and the Dutch food giant 'Unilever' to initiate the launch of the RSPO (Roundtable of Sustainable Palm Oil) in 2005. The RSPO is a multi-stakeholder organization that includes a broad range of key actors related to the palm oil industry as well as social and environmental NGOs. However, they do not allow state actors to become members and exclude all consumer representatives and smallholder farmers to a large extent (Schouten and Glasbergen, 2011). While the RSPO claims to promote sustainable palm oil, the organization still faces a lot of criticism. Some NGOs are not convinced about the RSPO's actual impact on sustainability and see the RSPO standard as an opportunity for companies to improve their image superficially instead of actually solving social and environmental conflicts (Nikoloyuk et al. 2010).

Most large Indonesian palm oil growers are organized under GAPKI, the Indonesian Palm Oil Association. GAPKI as a whole used to be a member of the RSPO until 2011. The official reason for GAPKI to leave the RSPO was the launch of the national sustainability standard ISPO (Indonesian sustainable Palm Oil) (The Jakarta Post, 2011). Individual companies continue to be a member of the RSPO but GAPKI decided to focus on compliance with the mandatory national scheme.

ISPO is a collection and re-articulation of existing state law concerning the social and environmental aspects of agriculture. Weak implementation of regulations had already been the case in the timber and rubber industry in earlier years (Brown 1999). ISPO became a mandatory set of regulations Indonesian palm oil companies have to comply with. The aim is to strengthen Indonesian law enforcement and to

create a counter initiative to the market-driven, non-state RSPO although the principles and criteria cover similar issues (The Jakarta Post, 2012). The government aims to have all big companies in Indonesia ISPO certified by the end of 2014.

Similar developments of national certification took place in Malaysia where the MSPO (Malaysian standard for Sustainable Palm Oil) was initiated in 2012 and 2013. The situation is different in Malaysia where the MSPO has been accepted by the parliament in April 2014 but is not mandatory. However, there are plans to make it mandatory for the future (UK Finance, 2013). In Malaysia, the management of the palm oil sector is more strictly organized by the industry and certain state organizations (MPOB 2010 and MPOA unknown). Malaysia being an export country that has almost reached its limits for palm oil extension, is focusing a lot on research and technology development in order to increase the production nonetheless (MPOB 2010).

As a result of these new, additional standards, different national state actors, like local policy makers, and international non-state actors, like the RSPO, claim varying degrees of authority with respect to different aspects of governing sustainable palm oil. Cooperation between them is often difficult due to varying definitions of sustainability and conflicting interests. Thus, external norms and rules concerning palm oil development co-exist with state regulation, forcing governments to position themselves with regard to the content and effectiveness of their policy-making. In the scientific debate scholars have directed considerable attention to new forms of governance through private or public private initiatives and certification schemes (Keck and Sikkink 1999; Brauer and Haywood 2010; Vandergeest and Unno 2012). Such schemes are often cross-border interventions that interfere with state regulation. Foreign and international interests in the regulation of palm oil have increased over the past years and Indonesia is becoming more sceptical about the intensive engagement of the RSPO. The Ministry of Agriculture does not approve of the extent to which the RSPO is already involved in the palm oil sector (Down to Earth, 2011). They fear that Indonesia's sovereign rights are threatened by interference from the outside. Again, scholars also deal with this phenomenon of scattered authority and discuss whether the notion of sovereignty or the idea of the nation state are still relevant in a highly globalized context (Krasner 2001(1), 2001(2) 2011; Risse, 2010 and Randeria, 2003(1), 2003(2) and 2007).

Research objectives:

The objective for this master thesis is threefold. My first and foremost aim is to gain a better insight into the governing practices of the Indonesian and the Malaysian state and their role in the governance of sustainable palm oil through empirical data collection. In particular, I will look into the workings of the national certification schemes ISPO and MSPO and contribute to the debate that takes place around them. That is, I want to critically reflect on the actions and frames used by involved actors. Second, I want to apply and develop existing theory on the cunning state in order to show how the states of Indonesia and Malaysia actively and deliberately position themselves in the governance of sustainable palm oil. My aim is to look into the strategies employed and problems faced by the two states and in doing so I want to bring the state back into the scientific debate but always in relation to other actors. The third and last aim of my research is of more practical nature. With my findings I hope to be able to contribute to the research objectives and questions of the SUSPENSE-program in which "the role of the state" is a core theme. More specifically, I want to help prepare a scientific workshop between scientists on 'The Role of the State, Scales and Sovereignty' expected to take place in 2015. Furthermore, there are plans for an article which

has been presented at a conference on 'The Interactions between State and Non-State Actors' in Salamanca in April 2014. My data could be an important contribution to this article.

Research questions:

From these research objectives it can be derived that the focus of this study will lie on "the state" as the object of my research. The state, however, is no homogenous entity and can thus not be seen as one actor. Actually, a state consists of many different actors with their own interests and agendas that are often conflicting. For the purpose of this thesis I will focus on the Indonesian Ministry of Agriculture and more specifically on the ISPO certification scheme which is part of this ministry. Another important key actor in the Indonesian palm oil sector is the industry represented by GAPKI. For Malaysia my focus is placed on the three main institutions that deal with palm oil: the state-led research organisation, MPOB which is also supported by the palm oil industry; the Malaysian Palm Oil Association, MPOA and the MPOC, the Malaysian Palm Oil Commission which is responsible for promoting Malaysian palm oil. Answering my research questions I will draw conclusions about the behaviour of "the state" but actually I am referring to these institutions in particular.

The main research question is: ***"How do the Indonesian and Malaysian state and industry-related key actors from the palm oil sector position themselves vis-a-vis other state and non-state actors in the governance of sustainable palm oil on a national and international level?"***

Such a question requires the detailed description of the role and position of key actors within the sustainable palm oil governance. I will do so by answering the following sub-questions: *"Which actors claim authority over which part of sustainable palm oil and how is this legitimized?"* The next two sub-questions refer to direct consequences of the above-mentioned authority claims: *"What are the tensions and challenges for the Indonesian state in promoting sustainable palm oil with regard to the local, the national and the international level?"* and *"What kind of networking and discursive strategies are employed by the state actors from both Indonesia and Malaysia?"* The part on discursive strategies will pay special attention to the notion of sovereignty and to how it is used in order to legitimize the claims and strategies of these actors.

Methodology:

In order to answer the research questions I use empirical data that I have collected in Indonesia and Malaysia from February until May 2014. Six weeks of my stay were dedicated to data collection in Indonesia where I talked to people in Bogor and Jakarta. For another period of 3,5 weeks I conducted research Kuala Lumpur, Malaysia. I had in-depth interviews (1-2,5 hours) with key actors in the palm oil sector. These actors include members of the ISPO commission, the Indonesian Palm Oil Association, the RSPO, representatives of NGOs and anti-corruption bodies, news reporters and former ministers (see Annex 1). This thesis will present a comparative analysis between Indonesia and Malaysia with a main focus on Indonesia where I gathered much more information. I was able to join a SUSPENSE research team for the first week of my stay, which introduced me to many key informants. This gave me the opportunity to extend an existing network of stakeholders. In Malaysia, I was restricted to 3,5 weeks

which did not give me enough time to build up a similar extensive network. As a result, only a few interviews could be done, which were nonetheless very informative.

Scope and Limitations:

Many of my informants have important positions within their organisations and the palm oil network as a whole. Sometimes it was difficult to reach them because of their tight schedules which do not allow them to answer all inquiries they receive. In Kuala Lumpur, a restricted time frame made it difficult to talk to many informants. Because the production of palm oil is widely criticised by many Western scholars, it has become a very sensitive topic for politicians and companies to talk about. Some interviewees could easily feel attacked by my request for an interview alone. They would be sceptical about my interest in palm oil and my hidden agenda. This is why I am very much satisfied with the response I received. The sensitivity of the topic led to some interviewees being very cautious about their answers. This caution and the different cultural background sometimes restricted me in asking too critical questions. Informants were very eager to present their point of view with passion and conviction which made it hard to ask more practical questions or to interrupt their story. Still, the overall response to my research was positive and I gained very interesting insights into the politics and governance of palm oil production.

However, it has to be mentioned that I did not grasp the whole picture. I did not talk to European based buyers of palm oil or NGOs and did not investigate their view on and their role in the governance of sustainable palm oil. Still, once I talked to a consultancy agency with a more European or western perspective. Another time, we talked to the Agricultural Counsellor at the Dutch embassy who also reflected a European point of view. Also, I did not systematically talk to smallholders and consumers. One short field trip to a small village in Kalimantan and a ride around the plantation did not result in enough input to make general statements, but it gave me a good impression of the situation on the very local level. So, there were limitations concerning the time frame, the accessibility of the informants, the range of informants and the freedom to lead the interviews but I gathered 25 in-depth interviews with important Indonesian and Malaysian based governance actors.

The remainder of this thesis is divided into four more chapters. The second chapter presents the theoretical debate on sovereignty, legal pluralism and the resulting 'cunning' state and the conceptual framework I use. The third chapter 'Setting the Scene' will provide important background information of the case and explain the logic behind the different governance mechanisms RSPO, ISPO and MSPO. The fourth chapter contains the analysis in which I will identify the different networking and discursive strategies deployed by the key state actors in the palm oil governance. Fifth, there will be a conclusion. The sixth chapter closes the thesis with a discussion in which I will critically reflect on the theoretical and conceptual framework and I will discuss my findings.

THEORY:

In this section I am presenting a theoretical framework that applies to the governance of palm oil by different state and non-state actors. I will start with a discussion about the notion of sovereignty which is much debated in scientific papers and I will argue that states are no longer the only providers of regulation, especially with regard to transnational interactions. Authority is no longer bound to one territory and might be shared with other actors, state and non-state. Thus, some authors consider certain states ill-equipped to control their territory completely. I will then make use of Randeria's approach (2003 (1), 2003 (2), 2007) of the 'cunning state'. She insists that the state continues to play an important role as a decision-maker and as a mediator between the international policy arena and the local level. In doing so she makes a distinction between weak and cunning states which still have considerable legal space to make their own decisions and implementations often resulting in advancing the interests of a small elite only.

Next, I will explain how two types of strategies (networking and discursive) can be distinguished and how this is in line with the idea of the cunning state. I will draw from network and discourse theory in order to explain how I will operationalize these strategies showing that most states are no mere passive victims vis-a-vis powerful international regimes but that they are acting strategically and pro-actively within their legal space.

Challenges to Sovereignty:

Many authors have lately taken a sociological rather than a legal perspective on the idea of sovereignty and declare it as a contested institution which does not naturally lie with the state or a certain territory anymore. Comaroff and Comaroff (2009) see a "horizontal tapestry of partial sovereignties" (p.39) instead and Anne-Marie Slaughter (2004) refers to 'disaggregated sovereignty' since 'global government networks' of state officials deal with the challenges of globalization world-wide within their fields of expertise and not the state as a whole. This suggests that territorial boundaries are less important in defining sovereignty which many scholars take as a reason to declare sovereignty as dead altogether (Krasner, 2001 (1)). Stephen Krasner (2001 (1), 2001 (2) and 2011) however claims that many aspects of our globalized world are not new phenomena and that the classic understanding of sovereignty has always been challenged but that it survived so far. Still, he acknowledges that there are indeed some unique aspects to the current state of globalization, like an unprecedented number of civil society organizations, the prominence of international institutions and the reach of cyber space, which pose a threat to state control (2001 (2)). Krasner makes a fourfold distinction of the term sovereignty: Westphalian sovereignty, international sovereignty, interdependence sovereignty and domestic sovereignty. The first refers to the exclusion of intervention from external actors, the second is about mutual recognition among sovereign states, the third is the control over cross-border flows and the fourth concerns the effective exercise of control within the state borders (Krasner, 2001 (2) and Krasner, 1999 from Risse 2010).

Thomas Risse (2010) is critical towards the social science literature which remains biased toward the ideal type of a modern nation state, an ideal that is based on a Western perspective. He considers such a state as the exception rather than the rule he focuses on interdependence and domestic sovereignty when

describing areas of limited statehood - territorial or policy spaces and parts of the population where governance through the state is absent. In such cases these spaces do not stay ungoverned but rather the task is taken over by public-private or all together non-state initiatives who exercise authority in these areas. The state however, never is completely absent. The state is not the sole provider of law and regulation, but rather shares its legitimate monopoly over rule-making. This process forms a challenge to the understanding of unchallenged sovereignty.

Risse's idea about shared sovereignty is not new. Legal pluralists have long dealt with the co-existence of different norms and regulatory systems, a theme that has gained new attention under the aspect of current globalization trends (Michaels, 2009 and Berman, 2009). Legal pluralism has thus been creating a more broad understanding of law which does not necessarily originate from state institutions or is not linked to a certain territory. Various social fields formulate legal assertions in addition to those made by the state and in doing so challenge territorially based authority. Enforcement mechanisms are not the defining feature for law makers anymore because norms and voluntary standards can otherwise be influential (Berman, 2009). This is very much in line with Krasner's idea that state control was never absolute. Actually, globalization does not challenge state control as such but merely the control over certain activities. Thus, there have been alternative institutional arrangements but sovereignty as a status quo was never replaced (2001 (2)).

Role of the state:

Other authors also discuss whether some states are increasingly ill-equipped to pursue what Krasner calls 'domestic sovereignty'. Etzioni (2006), for example, elaborates on a new normative principle: "sovereignty as responsibility" (p. 71). In his article the idea of Westphalian sovereignty is being challenged by this principle which allows states to interfere in another state's internal affairs, if the particular state does not act responsible towards its own citizens, for example. In other words, non-compliance with internationally accepted standards or norms, like human rights, results in a duty for the international community to intervene. This idea challenges the notion of a God-given sovereignty and renders it conditional (Etzioni, 2006).

Keck and Sikkink (1999) focus on the influence of 'transnational advocacy networks' on national policy making. Their emphasis on values rather than material aspects makes these networks different from other transnational networks and suggests that they act where such values are neglected by the state. While, above all, the content of national policies is being altered by such networks, the authors state that the practice of national sovereignty is transformed through the blurring of boundaries between the state, its citizens and the international system. New links between the three realms are created which increases opportunities for dialogue and exchange. In this case again, the state does no longer hold the monopoly over interactions with international institutions.

O'Riordan and Jordan (1997) explore the meaning of sovereignty in modern environmental politics. Sovereignty allows states to exploit their territories but these states cannot deal with the negative consequences resulting from that. The transnational character of environmental problems makes it impossible for individual states to provide a solution. There is thus a spatial mismatch: political organization should happen at the international level but sovereignty is still with the states. On the other hand, the state is not capable of implementing the necessary interventions on the very local level which should rather be done through a more decentralized system.

What does this say about the role or meaning of the state? Randeria (2003 (1), 2003 (2) and 2007) has developed the concept of the cunning state in order to provide useful insights into the role of certain states. In contrast to Risse (2010), whose concept of limited statehood refers to states which lack the capacity to act, Randeria identifies a lack of political willingness that allows states to render themselves unaccountable for their failures. In the following section I will elaborate her approach.

The cunning state:

In order to transcend the binary, Western idea about weak and strong states Shalini Randeria (2003 (1), 2003 (2) and 2007) is investigating the limited agency of, what she calls, 'subordinate' states (2007). She agrees with legal pluralist ideas that the state's monopoly for the production of law is challenged, if it ever had such a monopoly to begin with (2003 (1)). The trans-nationalization and privatization of many sectors and activities results in blurring boundaries between the national and the supra-national and between state and civil society. Sovereignty is not only with the state anymore but is scattered over different institutions, both state and non-state and at different levels (2007). The state, however, is still an important and active agent because national governments are a crucial actor in shaping and implementing neoliberal, global agendas at the national and local level (2003 (2) and 2007). States are no mere victims of powerful international organizations and their agendas but have some space to manoeuvre. While Risse (2010) emphasises situations in which states simply lack the capacity to control certain realms within their borders, Randeria makes a clear distinction between weak states lacking the resources or technical expertise and cunning states lacking political willingness to make use of the space they have to act in the interest of the poor or marginalised. They can however choose to make use of this space if it benefits their own or the elite's interest. The attribute of the cunning state is that it makes conscious decisions about when to act as a responsible state and when it does not. Where international institutions like the World Bank or the IMF impose certain policies on states, for example, there is often still space for national agendas - often more than is acknowledged by cunning states. Such states are in the position to negotiate the terms on which they share sovereignty in certain fields of policy-making to determine the degree to which they implement directives and how they would translate them into practice. According to Randeria (2003 (1), 2003 (2) and 2007), they only deny power in order to avoid responsibility. In that case cunning states will render themselves unaccountable to citizens and international institutions alike by capitalizing on their perceived weakness and thus pursue a selective implementation of international agreements. International institutions on the other hand claim to only act in the interest of their member states which results in a game of "passing the blame" (2007, p.1). Randeria considers the state still as the key actor in implementing and enforcing rules, but sees rule-making increasingly placed outside the public debate and other democratic decision-making processes. India, for example, is "selectively strong in advancing the interests of the privileged, but strategically weak in fulfilling even its constitutional duties towards the poor" (Randeria 2007, p.8). Employing a range of tactics in negotiations about sovereignty and responsibility and presenting themselves as weak or strong according to the situation are the strategies of cunning states. Such strategies are however typically not pursued for the benefit of the poor and marginalized but rather in order to advance the interests of a small elite. This is also done through a certain rhetoric in which sovereignty is emphasized where international norms do not suit them (e.g. human and minority rights) while they happily accept other interventions like fiscal policies and trade rules.

Randeria's ideas form a differentiated approach towards the role of the state and sovereignty in general, in which she emphasizes the ambivalent and still very conscious decisions, rhetoric and strategies employed by cunning states.

I will now present a conceptual framework that takes the strategic actions of states, or rather parts of states, as a starting point for the evaluation of their role in certain governance domains. To be more specific, two types of strategies will be distinguished: networking and discursive strategies. I will draw from network and discourse literature to define them more specifically.

Discursive and Networking strategies:

Hajer defines discourse as an “ensemble of ideas, concepts and categories through which meaning is given to phenomena” (1993, p.45) which embeds it perfectly in the theory on social constructivism. Discourses arise around words, institutions and practices. They define assumptions and consequently construct meaning around an object (Fletcher, 2009). Using a certain discourse is thus a way of making sense of a situation. People talk differently about certain issues depending on who they talk to. Much can be learned from looking at the way actors construct a meaning of issues in interactions by using discursive devices (Dewulf and Bouwen, 2012). According to Dewulf and Bouwen (2012) they make use of specific frames in order to advance their current goals within a conversation. This includes a conscious choice about what to say and what to leave out (Dewulf and Bouwen, 2012 and Wood and Kroger, 2000). All this implies a very strategic component linked to communication and Hajer (1993) states that language is not neutral. This is also inherent to political processes: “Whether or not a situation is perceived as a political problem depends on the narrative in which it is being discussed” (p. 44).

For my own theoretical framework I will focus on the identification of discursive strategies according to the analytical aspects used and described by Hajer (1993) and Fletcher (2009). Discourse analysis is not done through measuring quantitative variables but rather by understanding how certain activities and policies gain acceptance or even preference within a society or among a certain audience. Therefore, it is important to find links between language, actors, institutions and power identifying “packages of meaning” (p. 803) which are used as a discursive activity (Fletcher, 2009). In order to be analysed, discursive constructions need to be embedded in a socio-historical context. In other words, a discourse is always to be seen in relation with its context (Hajer, 1993). Separating the two would lead to a loss of meaning or to a misunderstanding of the situation. In complex situations more than one discourse may be used.

Therefore, I will look into the rhetoric used by the different actors in the palm oil sector and see how they might change according to the audience addressed or a certain point in time. I want to investigate if more than one discourse is employed by a certain actor and whether discourses might actually be consistent. Through looking at who says what in which context I want to show how states actively shape the narratives about a certain policy issue in order to legitimate their decisions and actions and in doing so broaden and limit their space for manoeuvre in a way cunning states do. Using specific arguments and explanations for a problem embedded in a coherent story will justify only a certain set of policy approaches. According to such approaches the state can then pass on responsibility in some areas while making conscious decisions either in favour or against the international norm on the other side.

I will use a very similar approach with regard to networking strategies. According to Klijn and Koppenjan (2006) governments all over the world are searching for new forms of governance and thus try to change their relations with other public and private partners. Mutually dependent actors who build weak or strong ties around policy issues are generally perceived to form a 'network' (Klijn et al. 1995). Consecutive interactions among these actors lead to patterns for future actions resulting in a more or less visible framework or in rules for interactions within the particular network. In addition to the rules, actors within a network tend to share perceptions and ideas around which they organize (Klijn et al. 1995).

The theoretical debate is split in two about 'governance networks'. On the one hand, they are seen as slow and deadlocked, hampering effective and innovative policy making. On the other hand, they are treated as a challenge since they cannot be ignored and there are no real alternatives for networks either (Termeer, PowerPoint Presentation, unknown).

One reason for actors to become engaged in networks anyway are the possibilities of sharing resources like financial means, social capital or authority (Termeer, PowerPoint Presentation, unknown). Several actors together might be better able to pursue certain interests and achieve their objectives more effectively (Klijn et al. 1995). Termeer (PowerPoint Presentation, unknown) suggests analysing networks in three steps. First, important key actors need to be named and their responsibilities, interests and resources as well as power have to be pointed out. The second step looks into the actors more deeply by making sense of their motives and incentives through identifying their core values. As a third step, the network as a whole will be analysed through looking at the interdependencies between individual actors and their dependence on certain resources, the interaction patterns within the network, the formal and informal rules and finally at their shared perceptions.

For the purpose of the thesis I want to investigate how and why state actors strategically form networks with other public and private actors and thus create new alliances. Therefore I will not apply Termeer's framework in detail but rather look at who is involved in the network and to what extent. I will pay particular attention to describing the links, or interaction patterns, between the state and the other actors in the network. Also, I will focus on how interactions might have changed over time and how this is related to the shared perception or the discourses used as indicated above. I will show that the state is consciously engaging in strategic alliances in doing so obliges itself to certain supra-national institutions or international norms. On the other hand, I will suggest that while the state is certainly again creating a space for decision-making through this networking, it is not completely free to establish and cancel relations at its will.

Showing how the state is deploying certain strategies, identifying the underlying reasoning behind its actions and linking these to the outcomes will enable me to draw a comprehensive picture of the role of the state. The picture will show a state which is not the passive victim of international dictations and which rather has some space to act freely and in its own interest.

SETTING THE SCENE:

Key actors:

Since palm oil is a big business many businesses actors are involved in its management in order to make profit from it. Palm oil is not only highly profitable but also comes with many problems. International NGOs and those based in the producer countries also become involved in the palm oil business defending social and environmental through naming and shaming big companies for land grabbing and the eradication of rare wild species (Greenpeace 2010). They want to change the industry into one which is less interested in making profit than in being sustainable. Palm oil, which is mainly produced in Indonesia and Malaysia, is bought by big food processors, like Unilever and Nestle, in order to manufacture many different food commodities. They use palm oil for most of their end products, like chocolates, cookies and ice cream. These food companies subsume many smaller brands under their names and thus control large parts of the supermarket shelves. Being blamed of contributing to forest degradation and the exploitation of a powerless workforce due to their use of palm oil by influential NGOs however, damages their reputation (Meernik et al 2012 and Yamin 2001). When that happens consumers might decide to avoid their products because they learn about the conditions of the production. Consumers and civil society as a whole are better informed and more conscious in their lifestyle choices than ever before. They care not only about the taste and quality of the products but also about its environmental and social impact. Thus, large retailers and supermarkets, in addition to the manufacturers are under the same pressure to not become associated with commodities which might be environmentally or socially unacceptable (Winston 2002). NGOs engage in the public debate about sustainable palm oil to increase awareness and organize interventions, both in places of consumption in the form of campaigning and in the countries of production, often together with local NGOs. They mostly focus either on the environmental impact of palm oil production on deforestation and biodiversity loss or on social conflicts, smallholder development and labour rights. Their motivation is to represent the weak and voiceless rather than facilitating the interests of the big companies. In this they also voice Western consumers' call for effective changes. In doing so, they force companies to commit themselves to better practices.

A clean and green image has become a very important feature for a successful company which is why investors and banks specifically started to focus their attention on companies with explicit strategies for a more sustainable image and managing practices (San Jose et al 2011 and Sparkes 2001). This also triggers their motivation to become engaged in organizations like the RSPO (RSPO, unknown).

Such striving for more sustainability is not only done by the market but also by governmental institutions at national or, in the case of Europe, on EU level. The EU has a significant influence on the demand for sustainable palm oil through its environmental and biofuel policies which directly affect the conditions of production in Indonesia through their strict criteria for renewable energy (European Commission 2012). In 2012, about 1.9 million tonnes of palm oil were used for biodiesel production (Gerasimchuk and Koh 2013). The Norwegian government, for example, has banned unsustainable palm oil from import altogether and signed an agreement with Indonesia to give 1 billion US dollar if Indonesia does not cut any more forest for palm oil production in the next five years (WWF Indonesia 2010).

The Netherlands have launched a taskforce that aims to only import RSPO certified palm oil by 2015 (Taskforce Duurzame Palm Olie, 2010). Also on the international playing field, the concern for

sustainably produced agricultural goods is great. The UNDP promotes sustainable agricultural practices all over the world. They established a 'Green Commodities Program' in which they seek to transform agricultural production and trade through the engagement with the stakeholders (UNDP 2014). One of their projects within this program also concerns the palm oil production in Indonesia in which the UNDP cooperates with the government on smallholder development and other challenges.

While a lot of the pressure for more sustainability is coming from European and Western countries, other palm oil importing countries like China and India are less interested in becoming engaged in the sustainability debate around palm oil. Chinese companies are facing price sensitive markets and less pressure from consumers (WWF Global unknown (1)). Also in India there is no willingness among companies to pay any premium for more sustainable products (WWF Global unknown (2)). On the other hand it is remarkable that some Chinese and Indian companies are interested in becoming a member of the RSPO (von Geibler 2013).

The governments of Indonesia and Malaysia are more determined in striving for a sustainable palm oil sector. They have been making policies and regulations concerning a sustainable production of palm oil for many years (Interview no. 8 and 24). In Indonesia, the Ministry of Forestry plays a rather significant role in that. The ministry actually has full control over 143 million ha (Barr et al, 2006) of forest land which they are supposed to conserve (Interviews no. 1, 2 and 15). On their website the Ministry of Agriculture states that the agricultural sector in Indonesia needs to become competitive and that it should contribute to an overall increase of food security and wellbeing for the population. In addition to that they put a lot of emphasis on the environmental and economic sustainability (Kementerian Pertanian, 2014). District leaders, called *Bupati*, are responsible for the implementation of national policies from the ministries and provincial authorities. In the case of palm oil that means that *Bupatis* issue licenses for commercial activities and handle land rights (Interview no. 2). They are the executing power with regard to land use and conflicts. Due to decentralization efforts and the establishment of democratic structures in Indonesia *Bupatis* have become very influential and powerful and providing them with room for their own interpretation and implementation of national policies (Interviews no.1 and 14). Both, the Ministries of Forestry and the Ministry of Agriculture rely on local officials to monitor the compliance with national laws and regulations but often resources are scarce and corruption is high which makes an effective implementation difficult (Interview no. 2 and 19).

As mentioned in the introduction, corruption poses a great problem for sustainable land management in Indonesia. However, national corruption agencies lack the resources to cover all corruption cases in Indonesia and cases in agriculture do not have the highest priority (Interview no. 2). Only one anti-corruption agency is a state institution and does have enforcing power: the KPK (Corruption Eradication Commission) (Interview no. 17). Other organizations, like Indonesia Corruption Watch (ICW) and Transparency International (TI) have the status of an NGO and can only report cases to KPK or the public with no enforcing power (Interview no. 19).

The Indonesian palm oil producers themselves are represented by a national association, called GAPKI, which communicates the interests of the industry to the government and is involved in the policy making process as well. GAPKI's director characterizes the association as a 'partner of the government' and as 'the voice of the industry' (Interview no. 9).

In Malaysia, three major institutions regulate the palm oil sector: the Malaysian Palm Oil Board (MPOB), the Malaysian Palm Oil Association (MPOA) and the Malaysian Palm Oil Council (MPOC) (Interviews no. 21 and 22). The MPOB is a semi-governmental organization which consists of 7 Research and

Development (R&D) divisions and 5 non-R&D divisions. While the MPOB is actually a state organization it is closely linked to the palm oil industry which finances some research divisions through a special tax called CESS (Interview no. 22). The research divisions also have their own building separate from the non R&D divisions. The Malaysian Palm Oil Board was set up in 2000 through a merger of the two most relevant palm oil related organizations. The Palm Oil Research Institute of Malaysia (PORIM) and the Palm Oil Registration and Licensing Authority (PORLA) had existed for over 20 years but from 2000 onwards their efforts were combined into the MPOB (Interview no. 22). Thus, Malaysia established a strong, central institution for research on and the regulation of the growing palm oil sector. On their website the MPOB states that it's their role "to promote and develop national objectives, policies and priorities for the wellbeing of the Malaysian oil palm industry" (MPOB, 2010). Such a close cooperation between MPOB and MPOA is supposed to lead to win-win-situations on both sides. The main part of the MPOB staff consists of researchers, but there are also lawyers and accountants. Their staff covers all aspects of the palm oil industry. There are local offices as well as offices situated overseas (Interview no. 22).

The MPOA, like GAPKI, represents the industry's interests vis-a-vis the government. MPOA represents 120 palm oil growers that all have varying interests. A total of 450 palm oil companies exist in Malaysia, so MPOA is not even representing half of them (Interview no. 21). The MPOA used to include other plantation sectors as well but since palm oil has developed so rapidly it has become the only crop on which they focus (Interview no. 25). There is regular exchange, formal and informal, between MPOA staff and government officials in order to influence the content of the policies. The relation between MPOA and the government is quite close: Politicians are first approached personally, then in committees and on platforms. If they cannot be convinced that way, the association will involve the press and engage in a public fight for their interests (Interview no. 21). MPOA is also a member of the RSPO. They are represented in the board, standing committees and working groups and since 2011 they are a member of the taskforce on HCV (Interview 25).

The MPOC, the Malaysian Palm Oil Council, is a private body that represents the palm oil industry (interview no. 21) and especially deals with the promotion and protection of Malaysian palm oil world-wide (interview no. 22).

Main production sites:

The world's largest producer countries for palm oil are Indonesia and Malaysia. Palm oil has been brought to these countries in the early 20th century by European colonizers. Today, both countries together produce about 80 percent of the world's crude palm oil. For both countries the production of palm oil is one of the most important economic sectors. Malaysia has already converted 48 percent of their forest land into palm oil plantations. The Malaysian palm oil sector plans to stop the extension of plantations until 50 percent of the forest area are converted and wants to focus on increasing the productivity from then on (interview no. 21). In Indonesia the main production sites can be found on the islands of Sumatra and Kalimantan. 45 percent of the palm oil in Indonesia is owned by big businesses while 42 percent are in the hands of smallholders. The remaining three percent of palm oil is owned by the state (Interview no.4).

A researcher for KPK, the corruption eradication commission, explained how the issuing of licenses works: In order to establish a palm oil plantation a company first needs the '*ingin lokasi*' (IL), the land

title, which is granted by the *Bupati*. Next, the '*ingin usaha perkebunan*' (IUP), the permission to run a palm oil plantation, is needed. This permission has to be granted by the *Bupati* and the Ministry of Agriculture. The third and final permit needed is the '*hak guna usaha*' (HGU) which frees the land for agricultural exploitation and is granted by the BPN, the national land administration. It can take up to ten years for a company to achieve the HGU which is too long for many. This is why they already cut the forest when they only have the IL which enables them to get the HGU faster (Interview no.17). Local officials are bribed into illegally converting forest land into agricultural land through selling land to companies and issuing operation licenses (Interviews no. 17 and 19). Licenses are issued outside the official process which means that the process is faster but not according to the rules. Thus, much land which should be conserved is being converted into palm oil plantations and is therefore cleared of all the natural forest. Often such land acquisitions go together with conflicts over land titles because customary land rights of the local or indigenous population are not recognized or weakly protected. It can thus happen that a village chief decides to sign a contract with a company in which he is transcribing land owned or used by local farmers. The legal status of land titles is not well defined or institutionalized in Indonesia (Interviews no. 2 and 15) which is why the local population is easily deprived of their livelihood. In addition to that, environmental problems often increase the problematic state of the rural population. Erosion, due to deforestation, is not only dangerous for humans and animals' habitats but leads to land loss in coastal areas. Drinking water is scarce as a consequence of pesticides and saltwater which flows inland due to sinking level of groundwater around palm oil plantations. A village chief in Kalimantan reported this.

Next to the district leaders, there are civil servants who are responsible for monitoring and the correct implementation of national legislation on the local level. So in theory there is a mechanism to ensure the compliance of local civil servants with national policies, but these are often flawed. The Ministry of Environment is responsible for the environmental assessments of land use but they often do so without leaving their offices. This is what makes the implementation weak (Interview no. 15). Often, there is either a lack of financial and human resources or of political willingness to actually go into the field and check compliance. Approvals are often the result of desk work or social gatherings with company operators but not they do not come from the field (Interview no. 19). At the national level conflicting national policies from different ministries make a coherent management of the palm oil sector difficult and make the system more susceptible to corruption. As mentioned above, the ministries of forestry and agriculture often contradict each other because the first wants to conserve the land while the latter seeks the potential revenues (Interviews no. 15 and 17).

Destination markets:

Indonesia's expected export of palm oil for 2014 is 22 million tons and for Malaysia 17.7 million tons (Index Mundi, 2014 (1)). According to a fact sheet from the Sime Darby Plantation, palm oil was the highest consumed oil in 2012 in the world with 52.1 million tons. Furthermore, prices for palm oil are very much competitive with market prices for soybean, rapeseed and sunflower oil (Sime Darby, 2014). Palm oil obviously is a very successful export crop, but where are the buyers? In this section its destination markets will be presented.

The largest import markets for palm oil are first, India, China second and third Europe (Sustainable Palm Oil Platform, unknown). Domestic consumption is highest in Indonesia, then India, third China and fourth Europe (Index Mundi, 2014 (2)). According to interview number 5, however, the Indonesian market is

only the fourth largest behind the other three main consumers India, China and Europe. It is possible that this informant is dealing with older information. Informant number 24 states that Indonesia has become the second largest market behind the Indian subcontinent. With this information it is reasonable to assume that the Indonesian market has grown significantly over the past years. Koh and Wilcove (2007) confirm that in 2004 China and India formed the two biggest importers of palm oil, especially due to their demand for cooking oil which is different from the European market where the oil is used as an ingredient for processed food mainly. The authors also predict an increase in demand for palm oil since the economic growth in these two countries is high. World Bank data reveals that India had a growth rate of over 10 percent in 2010 still had a growth rate of 5 percent in 2013. China's growth rate was even slightly higher in 2010 (10.4 percent) and was still 7.7 percent in 2013 (World Bank, 2014). While growth rates are high and statistically poverty reduction is very successful, there is not yet much awareness and concern about sustainable food production among policy makers and consumers in these countries. However, pollution in China is almost so bad that the country is expected to becoming more interested in environmental issues (Interview no. 21). Still, they are mainly focused on food safety at the moment, but awareness for other issues is slowly rising (Interview no. 21). However, major parts of the population are not 'rich enough' to afford premium prices for sustainably produced food items (Interview no. 5).

The European market is the third largest export destination for Malaysian and Indonesian palm oil behind India and China (Index Mundi 2014 (3)). Here, it is being used in the food processing industry (van Gelder, 2004) and in the biofuel industry (USDA 2012). The 'Renewable Energy Directive' (RED) has been proposed by the European Commission in 2009 and targets a 20 percent overall share of biofuel in the EU and at least 10 percent in the transport sector in 2020 (European Commission, 2012). This directive is subject to national interpretation which results in 'National Renewable Energy Action Plans'. Europe cannot produce rapeseed as cost effective as it can import palm oil from Asia. Palm Oil will be used both for processing biodiesel in Europe and for biodiesel which is directly imported to Europe. "On the EU-27 scale, the biofuels industry has increased its use of palm oil by 365 per cent from 2006-2012, which can be linked primarily to the growth in biodiesel production stimulated by government policies during the same period" (IISD, 2013, p. 6). The EU has developed three core criteria for sources of biofuels which are the subject of Article 17 of the RED. These criteria apply to palm oil as well: First of all, the biofuel must save at least 35 percent of GHG emission compared to fossil fuels. For palm oil the value however is 19 percent. Second, biofuels must not be produced on high biodiversity land and third, it must not be produced on high carbon land (CPET, 2007). For the remainder of this thesis I will use the term peat land for high carbon land. As mentioned in the previous section about the key actors, in Europe there is more attention paid to the sustainability aspects of palm oil than China and India (Friends of the Earth, 2006).

The United States do not form a big market for crude palm oil from Indonesia and Malaysia in comparison to India, China and Europe (Index Mundi, 2014 (3)). However, 90 percent of their palm oil comes from Malaysia and only 7 percent come from Indonesia (WWF Global unknown (3)). Most of the oil consumed in the US originates from corn or soy. According to an article by CIFOR (2012), the US Environmental Protection Agency (EPA) has disagreed to accept palm oil as a vegetable crop suitable for their Renewable Fuels Standard (RFS). The RFS program is the US equivalent to the EU RED (Renewable Energy Directive) (EPA, 2014). The 20 percent GHG reduction threshold is currently not yet met by palm oil according to the EPA. It is confusing for the producing countries that US and EU regulations are not coherent. If palm oil could become an eligible crop for the US renewable energy program the potential export market for Indonesia and Malaysia would be huge (CIFOR, 2012).

The Indonesian domestic market is growing also due to an increased percentage of biofuels which is to be blended into the energy sector (The Jakarta Post, 2014). This is confirmed by an article from

'Indonesia-Investments', according to which Indonesia considered to stop their export towards Europe in order to fulfil the growing demand in South-East Asia where the biofuel industry is predicted to grow up to 70 percent (2013). Indonesia consumes about 30 to 35 percent of their own palm oil at the moment. Also, the domestic market in Malaysia is more and more focusing on biofuels. The renewable energy sector is extensively promoted to ensure a secure market access (Interview no. 21) but 90 percent of the palm oil are still exported (Interview no. 24).

The main export markets for Indonesia and Malaysia remain India, China and Europe. The growing demand for biofuels pushes the demand in Europe and the domestic markets, too. Recently, a new demand is also rising in the Middle East and Africa (The Jakarta Post, 2014).

Evolving governance mechanisms for sustainable palm oil:

The negative effects of large-scale palm oil production in Indonesia and Malaysia have led to a call for a more sustainable management of the vegetable oil. As a result, new forms of governance have emerged. I will now present one private mechanism, the Roundtable of Sustainable Palm Oil (RSPO) and the two state-initiatives Indonesian Sustainable Palm Oil (ISPO) and Malaysian Sustainable Palm Oil (MSPO). All of them are certification schemes.

The RSPO is a non-governmental multi-stakeholder organization whose members represent a large part of the palm oil sector such as environmental and social NGOs, retailers, banks, consumer-goods manufacturers, palm oil growers, processors and traders. The RSPO was founded in 2003 by the WWF, one of the world famous environmental NGOs and the giant food processor Unilever who is based in the Netherlands. Officially, the organization is registered in Switzerland but has its headquarters in Kuala Lumpur and a liaison office in Jakarta (RSPO, 2012 (2)).

The organization has a General Assembly consisting of all members meeting once a year and an Executive Board (EB) which manages the RSPO. There are four Standing Committees: 'Trade and Traceability', 'Communications and Claims', 'Standards and Certification' and 'Finance'. These committees are filled in by representatives of the members and establish working groups on more specific topics. Since the RSPO is comprised of many different members their decision-making processes consensus based. Voting can be done by all ordinary members that are present or represented. The General Assembly meetings give space for major or minor decision-making contributing to the interests of the RSPO (RSPO by-laws).

Today, the RSPO describes their aim is to transform the palm oil sector into a more sustainable one with regard to three aspects: social, environmental and economic (RSPO, 2012). Therefore, a set of eight principles and their criteria have been established according to which palm oil can be identified as sustainable or not. The criteria have been designed by a club of 25 people who were then key actors in the governance network of palm oil (Interview no. 5). Not all of these actors became actual RSPO members in the end because they were not linked to any NGO or business. Officially, however, neither the Indonesian nor the Malaysian government representatives were part of the process. Still, a former advisor of the Indonesian Ministry of Agriculture soon became the technical manager of the RSPO and helped formulating the principles and criteria (Interview no. 5). The criteria were first adopted in 2005 and were then subject to a 2 year pilot testing. Palm oil which fulfils all the criteria becomes certified under the RSPO trademark. It is not necessary for the RSPO members to produce, trade and process palm oil which fulfils the criteria from the beginning but they have to show willingness and efforts to strive for

certification in the future. The RSPO claims to already have 16% of the world's crude palm oil certified under their sustainability trademark (RSPO, 2012). The RSPO trademark is a well-accepted standard for sustainable palm oil for the European market (Interview no. 3). The markets of India and China are less concerned with issues of sustainability which is why their market is not dominated by RSPO certified palm oil. The principles and criteria have been frequently revised after the first design and its pilot testing. But what is the content of these principles and criteria? I will refer to the newest version of 2013 (Principles and Criteria for the Production of Sustainable Palm Oil):

Principle 1 demands a strong commitment to transparency of the members. Principle 2 requires the compliance with applicable laws and regulations. Especially land rights should not be contested and land should only be used if free, prior and informed consent with the local population is ensured. This principle is very critical because it acknowledges the importance of respecting the state law in the country of operation. In order to ensure compliance with this principle there is one 'National Interpretation Team' (NIT) for every major palm oil producing countries. This team consists of representatives from all types of members who establish a catalogue of country specific RSPO rules which are interpreted according to the national law. Therefore, the NIT needs technical assistance directly from policy-makers and other governmental staff who have the relevant knowledge of the rules. All relevant laws and regulations concerning sustainable agricultural practices are identified and are then grouped under the RSPO principle and criteria (Interview no. 12). From interview number 12 it became clear that government staff could only be in an advisory position because they officially are not part of the RSPO. However, there is a document stating the members of the NIT team which involves ministerial officers as well (RSPO, 2008). This implies that there was not such a strict separation between state and non-state actors within the Indonesian NIT. The NIT actually forms a bottom line. It is thus possible for companies to do more than the requirements but they must not contradict with them. The principles three to seven cover the commitment of the producers to long-term economic growth, appropriate best practices, the protection of the environment and social rights. The eighth and last principle encourages all members to contribute to continuous improvement all key areas of palm oil activity which means a frequent revision of practices and activities (Principles and Criteria for the Production of Sustainable Palm Oil, 2013).

In addition to its generic principles and criteria the RSPO has a special working group for smallholders. Their program for 2013-2014 is to review the principles and criteria according to the needs of smallholders. It is the aim of the working group to have smallholders benefit more from RSPO regulation and best management practices to improve their livelihoods. Therefore, the generic principles will be applied to smallholders as a trial and recommendations will be derived from that later. This is supposed to contribute to a development of the principles and at the same time to set up an educational tool for smallholders in order to stimulate an active participation of smallholders in the RSPO. The aim is to also have smallholders certified under the RSPO trademark in the future (RSPO on Smallholder Working Group, 2012).

So RSPO principles and activities cover the main sustainability issues with regard to palm oil: land and labour conflicts between the company and the local or indigenous population, deforestation and peat land protection and economic viability (Principles and Criteria for the Production of Sustainable Palm Oil, 2013). This threefold interpretation of sustainability in social, environmental and economic terms justifies the RSPO's involvement in different aspects of the palm oil sector which often means a very direct interaction with different actors on the local level in Indonesia.

In 2011 the Ministry of Agriculture, together with the Indonesian palm oil industry, launched ISPO, the Indonesian sustainable palm oil. The ISPO is a standard consisting of principles and criteria for sustainable palm oil development in Indonesia. The activities around ISPO are administered by a secretariat and a panel, the IPOC (Indonesian Palm Oil Commission). The IPOC includes GAPKI representatives, civil society representatives and government officials from different ministries. In total the IPOC consists of 15 members (Interviews no. 6 and 13). The ISPO standard is based on Indonesian law and is mandatory for all palm oil producers in Indonesia (Interview no. 8).

The idea for ISPO first came up in 2010 as pressure for more sustainable palm oil rose from different external and internal actors. The initial set up of the ISPO was done by a range of various actors like government officials, the private sector and smallholders (Interview no. 4). As an organization the ISPO consists of a small administrative team around its chair-woman Rosediana Suharto. Within the Ministry of Agriculture ISPO falls under the Directorate General of Estates. An assessment team deals with all the applications of companies for ISPO certification. Such pre-reviewed applications have to be approved by the members of the IPOC before the certification is granted (Interviews no. 6 and 9). The IPOC is also the institution which was responsible for the initial design of the principles and criteria (Interview no. 4). Still, today the standard is constantly reviewed and adapted by the commission (Interview no. 13). Since GAPKI representatives are part of the IPOC, this shows an intensive involvement of the industry in the design of the principles and criteria of ISPO.

ISPO principles and criteria are derived from national legislation and thus are not based on a consensus of private actors as in the case of the RSPO. The ISPO regulation, in other words, is a summary and re-articulation of all Indonesian laws and regulations that concern the sustainable production of palm oil. According to the chair-women of ISPO, there are 150 laws and regulations which had to be operationalized for practical implementation (Interview no. 8).

In order to be eligible for the ISPO assessment growers must be classified according to the existing identification system consisting of five classes. Classes I to III range from 'very good' to 'adequate'. Classes IV and V are inadequate. Only classes I, II and III can submit applications for ISPO certification. This categorization is a valid regulation under the Ministry of Agriculture and continues to exist as part of the ISPO certification (Interview no. 8 and Rosediana Suharto 2012). The first of the seven ISPO principles is concerned with the legality of the grower. All required legal documents have to be obtained by the operator of a palm oil plant. Only a whole company can be certified, not single plantations (Interview no. 8). The most important permissions have been explained above: the IL, IUP and the HGU. The second principle is about the management practices of the plantation. The third principle regulates high carbon stocks and GHG emissions. Principle four concerns the environmental management of the plantations. The fifth principle protects worker's rights and the sixth defines social responsibilities and economic development. The seventh and last principle requires sustainable business improvement (Rosediana Suharto 2012). Ethical behaviour is not included in the principles. ISPO has been criticized for not including any anti-corruption measures but ISPO chair-woman Rosediana Suharto states that according to the ISO, the International Organization for Standardization, social aspects cannot be certified (Interview no. 8). Therefore, if cases of corruption are detected in the auditing process, these will be reported to the KPK who then is supposed to deal with it.

A discussion started about how similar the RSPO and the ISPO standards are. Some claim that the two have quite similar principles (Interviews no. 9, 10, 14 and 15) while others stress the differences of the priorities and indicators (Interviews no. 8 and 16). The RSPO on the one hand developed all its principles and criteria in accordance with the Indonesian national legislation, which already indicates a certain

similarity, and is considered to go beyond the laws by adding the high conservation value and the FPIC principle (Free, Prior, Informed Consensus) (Interviews no. 10, 11 and 20). On the other hand, ISPO criteria are more specific and thus stricter which makes the national scheme a more practical one (Interview no. 11). In the end ISPO is often praised for raising the bottom line for sustainable palm oil production with enforcing power (Interviews no. 10, 11 and 14). Despite the differences, an agreement was reached in October 2013, to have both standards compared in an independent study in order to understand similarities and differences and to explore the possibility for a joint audition (Interview no. 15). According to this agreement, representatives from RSPO and ISPO meet regularly for discussion together with the neutral third party, 'Mutuagung', who is conducting the study. The study was supposed to be done by December 2013, but so far, no results have been published.

While the ISPO standard is basically state law the implementation is done by third party certification bodies that check the compliance of growers and millers according to the ISPO principles and criteria (Interview no. 8). As per 2012, five certification bodies have been approved for ISPO certification. As a requirement certification bodies need to have auditors who have been trained by the IPOC. Nine more organizations are awaiting the approval of the National Accreditation Committee (Rosediana Suharto 2012).

Officially, by the end of 2014 all producers should be ISPO certified, but many find this highly doubtful and expect a delay (Interview no. 14). ISPO certification is focused on big companies at the moment because a separate scheme for smallholders is still under development (Interview no. 16). The UN Development Program (UNDP) together with the Dutch organization IDH (sustainable trade initiative) have initiated and financed pilot projects with smallholders in Riau, Sumatra. Certification is tested with smallholders and the outcomes will result in a new smallholder version of the ISPO (Interview no. 15).

The Malaysian Standard for Sustainable Palm Oil, the MSPO, is, like ISPO, a national certification scheme. The proposal for the development of the MSPO was submitted in September 2010 and approved by the National Standard Development Agency (SIRIM) in September 2013. MSPO has been accepted by the parliament in April 2014 (Interview no. 23). MSPO has been issued by 'Standards Malaysia' which is a state agency under the Ministry of Science, Technology and Innovation. The MSPO was developed in consultation with stakeholders from the industry and representatives from MPOA and MPOC. The initiator for the MSPO however, was the MPOB who proposed the launch of this standard and who could be considered the 'owner' of the MSPO (interview no. 23). The development of the MSPO was driven by the need to authorize and strengthen the sustainable production of palm oil in Malaysia. Actually, the palm oil industry requested a set of sustainability standards as an alternative for RSPO requirements (Interview no. 23). The MSPO has not been incorporated into any Malaysian law or regulation so far which means it does not have legal validity but it does take into account Malaysian and international laws and regulations. The standard was developed in consultation with stakeholders of the industry and representatives from various palm oil agencies and organizations including MPOA and MPOC (Interview no. 23). In that sense the MSPO differs from ISPO which is a re-articulation of national laws and regulations. Until now, the standard is voluntary and thus merely presents a means for the identification of a certain product according to specified requirements (Interview no. 23). Before MSPO was established, the MPOB had already developed a Code of Practice for the palm oil industry. Auditors were checking compliance with it but the Code of Practice was not mandatory (Interview no. 22). This code has been used as a normative reference in the design of the MSPO for it defined good practices for the oil palm nursery, plantation, palm oil mill, palm oil refinery, kernel crushing plants as well as rules for transport and storage and for bulking facilities (Interview no. 23). The MSPO principles and criteria are supposed to reduce the negative impact of palm oil cultivation while at the same time they aim to increase

productivity through good practices. Therefore, transparency and accountability, social and environmental responsibility are important aspects to deal with (Interview no. 23). The Malaysian palm oil sector had already been highly regulated, which made it easier for MSPO to be designed and implemented (Interview no. 23).

MSPO is very much supported by the MPOA which promotes it at a local level and organizes pilot projects with trial certification of 6 or 7 companies. It is the task of the association to give feedback on the scheme from the industry's perspective in order to improve the MSPO. As the standard has not been fine-tuned, it can only be voluntary (Interview no. 21).

Tensions and challenges for ISPO and the underlying reasoning of ISPO, MSPO and RSPO:

While the above-mentioned governance mechanisms seem to be a bit similar at first sight, there are a few significant differences. In this section it will be explained what kind of difficulties are faced by the key actors involved in these standards. While RSPO is already a well-established and acknowledged standard, especially for the Western markets, the ISPO scheme is still facing challenges with regard to its credibility and practical implementation of the certification (Interview no. 10). First, some structural problems, such as incoherent national policies concerning palm oil production and corruption, will be highlighted. Second, the underlying rationales of RSPO and ISPO will be presented and also an overview will be given of the supporters and sceptics of ISPO. This will shed some light on the changing relationship between RSPO and ISPO representatives. The case of the MSPO in Malaysia will be compared to this throughout the text.

As indicated above, different Indonesian ministries are concerned with the regulation of palm oil to different extents. Their policies are usually not made through mutual consultation and departments are not coordinating well. Contradicting policies at the national level thus pose a problem for coherent management of a sustainable palm oil sector (Interview no. 6). ISPO is a small initiative under the Ministry of Agriculture and is not being backed up by all other ministries related to palm oil production. Even though representatives from different ministries are part of the ISPO committee and ensure that ISPO is not contradictory towards any laws and regulation the visions and mandates of the ministries vary (Interview no. 13). While the Ministry of Trade has a great interest in a strong palm oil sector for export which brings revenues into the national budget, it is in the concern of the Ministry of Environment to protect nature (Interview no. 15). On the other hand there is the Ministry of Forestry which is supposed to conserve forest land but which is not pursuing its own policies consequently or at least they are executed according to different interpretations. The ministry, for example, releases land for palm oil development (Interview no. 1). As an Indonesian researcher stated that the government and more specifically the Ministry of Forestry controls a lot of land (Barr et al. 2006). However, it does not extract the economic rent from it which they could earn if they would develop the land sustainably by themselves. The government has a policy for sustainable development but the implementation is weak (Interview no. 2). This shows that official regulations are in place but these are not always followed. Also the sale of the land is not in line with the overall policy of the ministry. Once the land has been transformed for palm oil production it falls under the Ministry of Agriculture which again is striving for high productivity, rather than conservation. What is lacking is a national vision developed by all affected ministries about how a sustainable palm oil sector should look like (Interview no. 6). In addition to the incoherence between and within ministries there are problems with the implementation of national

regulations on the local level. Such incoherence among the ministries does not seem to be an equally big problem in the well-organized and highly structured state apparatus in Malaysia. According to an MPOB researcher, there are nearly no conflicting policies among the different ministries. Rather, the rules “complement” each other (Interview no. 22). Because of that the MSPO is not so much occupied with strengthening the compliance and enforcement of national rules, or to create a coherent set of laws for palm oil as Malaysia was under strict rules even before MSPO was launched (Interview no. 23).

A decentralization law has been introduced in Indonesia in 1999 which delegates more authority to the district leaders, the *Bupatis*. Political pressure and lack of time contributed towards a half-heartedly implementation of the law. In his paper on decentralization in Indonesia Suwondo (2002) identifies different weaknesses resulting from this distribution of power to the more local level. One of these weaknesses, a significant problem for the palm oil governance, is the demoralization of regional governments which results in corruption. As explained above individual leaders take advantage of a newly democratic and bureaucratic system and circumvent existing rules. This shows that the problem with sustainable agricultural practices is not so much one of policy design but rather a problem of proper implementation and monitoring of the laws. However, this adds to the perception that the Indonesian government is too weak to implement their own regulations. Many European and other Western public and private actors perceive the ISPO scheme as weak since it is an institution which is initiated, designed and executed by a small part of a government which lacks a coherent driver behind sustainable palm oil and where decentralization and corruption take away power from the national governments (Interview no. 16). This results in reluctance among Western actors to see the potential of the ISPO to strengthen existing laws and the willingness of Indonesian politicians to make actual changes. A critical representative from a European based NGO puts it like this: “The incompetence at this ministry is overwhelming. The Ministry of Forestry is completely unorganized, corrupt and incompetent. Sometimes they come up with reasonably good regulations, however, these are not implemented” (Interview no. 1).

There is thus a lack of credibility of ISPO certified palm oil on behalf of certain import markets and other governments (Interview no. 24). They are more likely to trust a standard which has been designed by their own industry and which represents their own vision on sustainability (Interview no. 3). Therefore, in addition to the perceived weakness of the Indonesian state apparatus there are different interpretations of what sustainability is about. While Western countries focus on social and environmental conflicts (Interview no. 1), it is very important for development of Indonesia and Malaysia that the palm oil sector is economically strong and helps their countries to develop and reduce poverty through trickle-down-effect (Interview no. 8 and 23).

Officially, the national initiatives are accepted and appreciated by foreign governments, however, this does not result in actual support of ISPO. One informant said that there is support from other governments in the sense that there is no rejection (Interview no. 5). Also at the Dutch embassy in Jakarta the initiatives of Malaysia and Indonesia towards sustainable palm oil are considered to be good steps. At the same time it is however criticized that ISPO is not based on a multi-stakeholder approach. A request by Rosediana Suharto for financial support from the Dutch embassy for the support of ISPO was declined (Interview no. 3). The Dutch are very supportive of the RSPO though (interview no. 3). Others are confused about why two standards are needed and why ISPO and RSPO do not work together into one direction? As indicated in the previous section, there was quite some interaction between the Indonesian government and the RSPO, at least during the starting phase of designing the first version of the RSPO principles and criteria and in the National Interpretation Team.

GAPKI and the DMSI, a forerunner of the Indonesian Palm Oil Commission, together with representatives from Malaysia were involved in the discussions about RSPO in the very beginning before its design and implementation (Interview no. 14). The DMSI, like the contemporary commission, was no pure state or private organisation but was rather seen as a means of pooling all national interests related to palm oil and of mediating these interests to the government (DMSI, 2009). So, in the beginning, the establishment of the RSPO and its principles and criteria seemed to be in the interest of the palm oil industry as well as in the interest of government officials in Indonesia. In one case did a former IPOC member leave the Ministry of Agriculture to work for RSPO and to help design the principle and criteria in 2005 (Interview no. 5). This can be considered a very strategic step of the Indonesian policy makers since the RSPO is a non-state organization which means that states or state actors cannot become a member of the RSPO. Another sign of support from the Indonesian Ministry of Agriculture is the placement of the RSPO liaison office within the rooms of the ministry during the start-up period (Interview no. 10). Working together in such a small space, makes it seem unavoidable that there was interaction between staff from both organisations, possibly about the content of the RSPO as well. All this indicates that the initial establishment of the RSPO could almost be considered a common project among European stakeholders and Indonesian governmental delegates. Similar connections could probably be found between the RSPO and the Malaysian government. The MPOA has close ties to the government and is very influential (interview no. 21) and at the same time was one of the founding members of the RSPO. It is thus likely that government staff was involved in the start-up of the RSPO to some extent but there is not sufficient data to confirm this.

As indicated above, RSPO regulation needs to be in line with the national legislation of palm oil producing countries. This required a national interpretation of the generic RSPO principles and criteria. The RSPO has set up a working group for this consisting of representatives from their own members. This working group however needs technical assistance from experts who are ministerial officers and who know all laws which are linked to palm oil production. Their role as experts provided the officers with quite some influence on the interpretation of the RSPO rules. This adapted version is very important because it is the version that used for the actual auditing processes (Interview no. 12). So, again, there has been a close cooperation between the RSPO and the experts from the Indonesian government which has taken place frequently since the first interpretation in 2007. As the principles and criteria have been revised since then the interpretation has to be revised as well. Since April 2014 there is the newest version of the national interpretation of the RSPO principle and criteria (Interview no. 12).

In Malaysia, the industry was rather upset and felt that the national interpretation was biased because the taskforce was co-headed by a European (Interview no. 21). However, their national version does not exclude peat land from palm oil development (interview no. 24). Since 71 per cent of the palm oil production in Sarawak, Borneo, takes place on peat soil, the local industry association heavily criticised the company Wilmar for excluding palm oil from peat land for their business purposes (May-Tobin, 2014). This implies that the palm oil lobby might have undertaken much effort to stop the inclusion of a peat ban in the national interpretation. This should be a big comparative advantage for them compared to Indonesia where the development of peat land is forbidden under RSPO rules.

Despite the appreciation for the RSPO initiative to establish guidelines for sustainable palm oil development, the relationship between RSPO and the Indonesian government has changed. According to the RSPO Indonesia director “the relation has become a bit awkward” (Interview no. 10). She explains that the media played a big role in depicting the RSPO and the Indonesian palm oil sector including the Ministry of Agriculture as enemies. Still, there must have been some tension because GAPKI has left the RSPO in 2011 (The Jakarta Post, 2011). Palm oil producers in Indonesia first considered RSPO to be a

roundtable of equals who, together, would strengthen the palm oil sector (Interview no. 13). The palm oil industry was trying to regain a good image through this cooperation since they had been severely attacked by NGOs in the past (Interview no. 9). In the beginning there were only discussions and consensus agreements, only in 2007/8 the idea of certification came up which resulted in the formulation of the principles and criteria. GAPKI objected to that because it meant another burden for the producers. However, they pursued to be part of the RSPO because they thought it might be beneficial for them after all. UP (United Plantations) from Malaysia were the first RSPO certified company but after they were still attacked by Greenpeace, GAPKI lost faith in the advantages of the roundtable (Interview no. 13). When RSPO proposed the new principles and criteria and suggested the new planting procedures which basically restrict any expansion of palm oil, all producers were against it. After that they added the 'High Conservation Value' (HCV) compensation and the greenhouse gas (GHG) emission reduction which restricted the industry even more from 2008 onwards. At that time GAPKI and MPOA (Malaysian Palm Oil Association) filed a resolution against RSPO because they did not agree with the new rules and because they wanted something to be done about the increase of uptake of sustainable certified palm oil. However, all their resolutions were dismissed (Interview no. 13). One thing that GAPKI could not accept is the decision-making by voting because the producers only make up 15% of the RSPO members so the producers can never win and this is unfair.

Also in Malaysia, the MPOA was very close to leaving the RSPO for similar reasons. Like GAPKI, they are very critical about their own influence within the organization and the decision which are taken to the industry's disadvantage. They do not feel well-represented (Interview no. 25) and do not value the strong influence of the NGOs, but they decided to stay. MPOA is now supporting RSPO and MSPO because they "do not want all their eggs to be in one basket" (Interview no. 21) so they do not give up their remaining influence within the RSPO. The MPOA considers the structure and idea behind RSPO to be a good approach, the implementation on the other hand not (Interview no. 21). This way the MPOA stays informed about developments in the RSPO while they can take influence in MSPO at the same time.

The official reason for GAPKI to leave RSPO was the launch of the ISPO standard in 2011 which is mandatory for all palm oil producers in Indonesia (Interview no. 9). From the description above it becomes clear that there were other underlying reasons of frustration with the way the RSPO increased its interference in the Indonesian palm oil sector step by step. Representing mainly businesses and NGOs the RSPO reflects Western interests in the eyes of many Indonesian stakeholders and there are fears that Europe is trying to protect its own markets by undermining the successful palm oil business (Interviews no. 13 and 21). These ideas are further encouraged because the sustainable palm oil market in Europe is not as big as initially expected. Premium prices and secure markets were promised to those who started investing in more sustainable practices but prices stayed low and the supply of certified palm oil exceeds the demand (Interview no. 3 and 9). The debate has become very emotional and on the Indonesian side there is a growing dissatisfaction with private Western actors trying to interfere in their palm oil (Interview no. 3). Some people see the RSPO as an instrument for consumers to determine the conditions of production (Interview no. 21) and that prices are dictated by buyers and retailers who try to maintain their hegemony. This is then sometimes compared to the times of colonialism where developing countries are only restricted to providing raw materials (Interview no. 9 and 11). With this idea circulating on behalf of the Indonesian palm oil industry and some government officials, the ISPO has a certain underlying rationale to it which is stressing that the scheme is a government initiative as opposed to the NGO and private sector driven RSPO (Interview no. 8). Since the ISPO is a collection and re-articulation of existing national law it has to be mandatory for all producers which would raise the bottom line for sustainable production (Interview no. 24 and 25). RSPO on the other hand is a voluntary standard

which could be an indicator for the commitment of its members but this also only applies to a few who can and want to do more than is required (Interview no. 15). While RSPO is very much favoured on the Western markets (Interview no. 3), there are also more critical voices who see their commitment to sustainable practices more as a marketing strategy than as a strong will towards actual change (Interview no. 1 and 11). As stated above, even though Indonesian producers were trying to do the right thing by joining the RSPO, they were still attacked by NGOs (Interview no. 13). Indonesia decided to not be at the mercy of NGOs and European buyers and rather to insist on their sovereignty, on their right to take the decisions within their own national borders. Their official reason for the launch of ISPO was that they needed a national response to a strong call for sustainable agricultural practices within the international community (Interview no. 8). But it has also been developed as a response to the RSPO standard which was experienced as placing an unequal burden on the producers which would weaken the economically important sector for Indonesia (Interview no. 9). In doing so they built a framework for gaining political strength and negotiation power vis-a-vis other states (Interview no. 8 and 11).

Opinions and official statements vary. Some insist that the relationship between RSPO and ISPO has improved and that there is actually mutual recognition and also appreciation between the two. On the one hand, RSPO is happy about the establishment of the ISPO because raising the bottom line for all producers is in one line with the RSPO vision of transforming the whole palm oil sector (Interview no. 10 and 25). On the other hand parts of the Indonesian government, especially the Ministry of Trade, appreciate the efforts of RSPO which made the Indonesia the largest palm oil producer in the world (Interview no. 10). Others stress the difference in the underlying principles. ISPO is focused on making palm oil producers legal and thus accountable. Its principles are actual laws which is why the scheme cannot simply be combined with a voluntary standard (Interview no. 8).

Malaysia had similar reasons to establish the MSPO. First of all, they had to keep up with their biggest competitor, Indonesia, and establish their own certification scheme which would distinguish their palm oil from the one produced in Indonesia (Interview no. 22). Second, the MSPO is again a clear search for an alternative standard to the RSPO. The new standard was requested by the industry that was not happy with being the direct subject of RSPO regulation and which sought a standard in which their own interests would be better represented (Interview no. 22 and 23). The Malaysian palm oil stakeholders want their companies to be measured according to Malaysian standards and not European ones (Interview no. 21). Like, Indonesia, Malaysia has a desire to show that they have been concerned with sustainability in the palm oil development for a long time already. For example, no more than 50 percent of all forest area in Malaysia will be transformed in palm oil plantations, a promise that has been made 20 years ago at the Rio Earth Summit in 1992 (Interview no. 23) and which is not a result of the recent pressure from European NGOs. So far 48 percent of the forest has been converted which is why the Malaysian Research and Development sector is very much focused on increasing the productivity within the limits (MPOB, 2010). Despite the many similarities with Indonesia, this is quite a different underlying rationale for the MSPO: Research and Development plays an important role in Malaysia. The idea is that the research is funded and driven by the industry. Those companies that have become successful and rich through the resources of the country, even though they have not been subsidized, are supposed to pay back society through funding the research (Interview no. 21). The MSPO should make sure that all companies, with an eye on the future, play by the rules and employ fair business strategies instead of ruthlessly pursuing only their personal objectives. For Malaysia, "palm oil is the goose with the golden eggs" (Interview no. 21). The palm oil sector thus needs a lot of investment and development in order to persist in the future. The government does not want to push the palm oil industry too far because they form the economic backbone of the society.

The Relationship between ISPO and RSPO:

The description provided above shows how the two standards have developed and how they operate. It has become clear that both schemes have their supporters and critics: while the RSPO has already established a broad membership and credibility, the ISPO, a rather young standard, is struggling to 'sell' their certification outside of Indonesia. The Ministry of Agriculture and in particular the team around ISPO thus employ a diverse set of activities in order to strengthen their position in the governance of sustainable palm oil. In this last descriptive section I will explain what they do in terms of building relationships with other actors and in terms of the rhetoric they use.

Indonesian state actors are actively engaging and communicating with different other actors and stakeholders in the palm oil sector. One of the most important relationships to look at is the one between ISPO representatives and the RSPO. As indicated above the RSPO was very much appreciated by the Ministry of Agriculture in the years of 2005 until 2008 when there was close cooperation between the RSPO and ISPO (Interviews no. 5 and 10). The official position of the ministry was that RSPO certification was a good way of making Indonesian palm oil more sustainable and that it would increase export opportunities. Accordingly, the relation between RSPO and Indonesian state officials was quite good. Government officials were indirectly involved in the design and national interpretation of RSPO rules as advisors and in the beginning the RSPO was situated within the premises of the ministry. In 2008/2009 a MoU (Memorandum of Understanding) was signed between the RSPO and the Director General of Estate in which they agreed to cooperate in the promotion of RSPO among Indonesian smallholders (Interview no. 5). The training of smallholders was meant to occur through 40 FASDA (Fasilitator Daerah) government officials in the extension service who first had to be educated about the RSPO standard themselves before they could inform farmers. The Ministry of Agriculture was the venue for two educative events during which 20 FASDA people each were taught the RSPO principles and criteria so that they could ensure compliance with these standards on the local level. In addition to training FASDA people, another 30 people were trained in a third session. These people were involved in local NGOs, businesses affiliated with smallholders and farmer organizations (Interview no. 5).

While it seems as if the RSPO was approved and supported by the Indonesian government, as much as possible for a non-state organization, the situation changed when in 2011 ISPO was launched as a national mandatory standard for sustainable palm oil. The Indonesian palm oil producer organization GAPKI left the RSPO due to insurmountable disagreements about the disproportionate costs of sustainability for the producers and focused their attention on the compliance with the new national standard (Interview no. 9). This led to a more distant relation in which the ISPO supporters place the emphasis on the differences between the standards and in the definitions of sustainability and in which Rosediana Suharto is no longer invited as a consultant by the RSPO anymore (Interview no. 8 and 10). Apparently, however, there was also considerable media attention which made the relation between the two camps look more negative than it actually was (Interview no. 10).

The MPOA, however, struggling with similar differences with the RSPO, made the decision to stay with the RSPO despite the fact that the association is not satisfied with their own (decision-making) role within the RSPO either. According to the RSPO secretariat in Kuala Lumpur, the MPOA is very well embedded in the RSPO because they were one of the founding members of the RSPO and they have been represented in the board, standing committees and working groups since the beginning (Interview no. 25). The association was close to leaving the roundtable but then chose to remain connected to the RSPO before

losing all their influence (Interview no. 21). At the same time they have a close connection to the MSPO, which they helped designing, and to the MPOB, whose research is partly funded by the industry (Interview no. 22).

Since September 2013 there have been developments that suggest a new approach of ISPO representatives and RSPO: the Sustainable Palm Oil Initiative (SPO) led by the UNDP seeks a close cooperation of the two standards for reasons of cost reduction and transparency (Interview no. 5). According to the coordinator of the SPO initiative there is a “spirit of coordination” between the ISPO and RSPO and that is what they want to bring together (Interview no. 15). The UNDP represents a global mandate for sustainability, poverty reduction and the protection of the environment which is why they become involved in palm oil. The SPO initiative started in 2011 because the UNDP supports a strong united commitment for sustainable palm oil in Indonesia as part of their 'Green Commodities Program' (UNDP, 2014). Such a united commitment includes the cooperation of ISPO and RSPO. The Indonesian government, and the Ministry of Trade in particular, would like to include Indonesian certified palm oil on the list of 'Environmental Goods' which are traded under lower trade tariffs within the APEC (Asia Pacific Economic Cooperation) which would benefit their export market (Interview no. 15). The APEC has established a list of certain goods which are to be traded under lower tariffs in order to promote green growth in the region (APEC, 2012). This is why the Ministry of Agriculture agreed to become engaged with the UNDP and to reconnect with the RSPO.

One important consequence of the UNDP involvement is the encouragement of RSPO and ISPO to work together towards one common goal of creating responsible palm oil management. This includes the investigation of the possibility of having a shared auditing process since the criteria seem to overlap significantly. Therefore, the SPO initiated a joint study in which the two bodies would be compared by an independent third party to carve out the similarities and differences in the principles and criteria (Interview no. 15). In October 2013 all three parties agreed to the study which was supposed to be finished by December 2013. In April 2014 negotiations around the study were still going on. The independent third party that is conducting the study is a certification body called 'Mutuagung' which is acknowledged as an auditor for their standards by both, RSPO and ISPO (Interview no. 12). The study will not be finalized until RSPO as well as the ISPO representatives sign the study, which they will only do if the description is conform their own ideas. It is likely that both parties are very critical about the formulations which are used in the report because they do not want to compromise on their standpoints. This is probably the reason why the deadline has been postponed several times (Interview no. 15). Another possibility is that RSPO does not want the study to be published because that would show how different the standards actually are (Interview no. 8). While RSPO seems to be quite positive about a possible cooperation with ISPO (Interview no. 10), the official ISPO position is that a joint audit of the two would be difficult to realize (Interview no. 9). Still, the study has already led to frequent interactions and meetings between ISPO representatives and RSPO (Interview no. 12).

Next to their efforts on the joint study the UNDP also pushes the development of an ISPO version for smallholders (Interview no. 15). They are funding pilot projects in Sumatra to see what kind of principles and criteria are relevant and applicable for smallholders. Their idea is that the Ministry of Agriculture should take over this task as soon as possible. According to UNDP, a lack of financial resources is not the problem but rather that few resources are channelled into ISPO. UNDP seeks to distribute resources to the local level and into smallholder development. At the same time they established a platform among three different ministries: Forestry, Agriculture and Trade. This platform is supposed to give the policy makers space for exchange and to avoid conflicting regulations in order to create a coherent sustainable palm oil policy (Interview no. 15).

When ISPO was launched it was clear that RSPO was already a well-accepted standard among Western buyer countries and that ISPO would be compared with that. As indicated above, among Western markets the credibility of the Indonesian certification scheme is low because ISPO is not perceived as independent (Interview no. 9) since democratic institutions and law enforcement are seen as weak. There is scepticism about why ISPO should be more successful in making palm oil more sustainable than the government in the first place (Interview no. 26). In order to raise awareness and acceptance for their standard and to show their willingness to change and to commit to sustainability, public and private key actors from the Indonesian palm oil sector travelled around several countries to introduce ISPO. The promotion was organized by the Indonesian Palm Oil Board, by GAPKI and local district offices which are linked to the Ministry of Agriculture (Rosadiana Suharto, 2012). The ISPO secretariat plus officers from other ministries, together with NGOs and the industry, visited European countries, the US, Australia as well as China and India (Interviews no. 5, 8 and 9). In 2011 and 2012 the promotion had already taken place in Spain, Italy, Germany, France and Russia (Rosadiana Suharto, 2012). In front of government officials and other NGO and industry staff ISPO was presented as a mandatory standard and as a collection of Indonesian legislation (Interview no. 8). The idea is to strengthen government to government relations (Interview no. 5) but other actors from civil society and the industry seem to have been part of this promotion process as well.

Malaysia is also promoting their palm oil, but this is done differently from the way it is done in Indonesia. Since the MSPO has only recently been finalized through the acceptance of the parliament, the standard had no official character for a long time (Interview no. 22). Also, the MSPO is not mandatory so far which means Malaysian palm oil is not generally being promoted as MSPO certified. Still, the MPOB, and the research divisions in particular, engages in frequent bilateral or international exchanges of information with experts all over the world during conferences, on platforms and through personal relationships. There is interaction with policy-makers, millers, growers, bank and stock markets where the palm oil is presented and where questions are answered during showcases and workshops (Interview no. 22). Furthermore, there is the MPOC, the Malaysian Palm Oil Council, which is completely dedicated to the promotion of Malaysian palm oil worldwide. The main objectives of the MPOC are the improvement of the understanding of palm oil and upholding its good name. Further they seek to encourage the product diversity and a diversification of its trade opportunities (MPOC, 2012). The council even went to and intervened in France when a negative campaign against palm oil in 'Nutella' was attracting much attention (Interview no. 22).

Government to government relations between Indonesia and Malaysia are probably the most intensive as compared to relations with other countries. Some economic experts call for a close cooperation between the two largest palm oil producers in order to form a strong alliance for defending their interests with regard to terms and conditions of palm oil trade (Interview no. 16). A shared standard for sustainability would also decrease market confusion (Interview no. 16). Malaysia, however, does not have its own mandatory standard for sustainable palm oil which makes Indonesia reluctant to work together with them because they are not on the same track right now: Malaysia is performing a different assessment and implementation of their certification than Indonesia (Interview no. 8). Instead of creating a strong Indonesian-Malaysian front against European influences, Indonesia is actively seeking recognition from palm oil importers in Europe, China and India.

Corruption eradication is a crucial part of making palm oil more sustainable and as described earlier this poses major difficulties for the state and anti-corruption agencies. This is why the Corruption Eradication Commission KPK (Komisi Pemberantasan Korupsi), a state agency, is following an approach that is similar to the establishment of the platform among three ministries initiated by the UNDP: KPK has

signed an MoU with 12 different ministries as part of their corruption prevention, the Ministry of Agriculture being one of them (Interview no. 17). This is because advising on the Ministry of Forestry alone did not change local corruption pattern and did not lead to more sustainable forest management. KPK realized that there needed to be a larger approach. The MoU seeks to support harmonization of the policy-making among these ministries and encourages them to write action plans which will be shared among the ministries in order to avoid policy-conflicts and overlap. Creating one map on the land use and forest loss is part of the action plan of the Geo-Spatial Information Agency. Not only policy-conflicts are to be avoided but also corruption. KPK hopes that more coordination and transparency among the ministries will discourage corruption and seeks to have one powerful and fast institution for issuing licenses which will reduce the need for and chances of corruption (Interview no. 17).

In the beginning the cooperation between RSPO and the Ministry of Agriculture was portrayed as a fruitful exchange about the possibilities of making palm oil more sustainable. RSPO was perceived as a good initiative which would benefit the reputation of Indonesian palm oil and which would contribute to a sustainable palm oil sector which would be productive in the long run (Interview no. 10). The plans of the RSPO included a secure market for palm oil producers in Europe and premium prices for certified palm oil. One could almost speak of a win-win situation (Interviews no. 10, 13 and 14). When these promises were not kept, while NGOs were still attacking the Indonesian palm oil sector and the RSPO would continue to sharpen their requirements, the feelings of Indonesian palm oil stakeholders towards the RSPO changed and with it the rhetoric. The Ministry of Agriculture decided that they would find their own response to the pressure for more sustainable practices in the palm oil sector (Interview no. 9). The launch of the ISPO underlines the statement of its chair that the Ministry of Agriculture does not refer to the pressure from international or European NGOs but to the pressure that arises from several international conferences with delegates from many different countries (Interview no. 8). For example, when at the World Summit for Sustainable Development it was suggested that sustainable agricultural practices could contribute towards economic development, this triggered the government to take action themselves (Interview no. 8), not NGO pressure.

Not only the failed promises of the RSPO have changed how the Ministry of Agriculture portrays the RSPO in their rhetoric but also the increasing burden which is laid on Indonesian producers is seen as too invasive. In the eyes of the Indonesian palm oil industry RSPO certification is causing producers high costs due to administrative fees and less intensive production methods, while buyers and consumers profit from that (Interview no. 13). This is why ISPO is presented as an opportunity and engine for the Indonesian palm oil sector to pursue their own interests. This suggests the Indonesian actors do not feel sovereign over their own palm oil sector anymore. However, there are more direct and obvious nationalistic statements from the ISPO representatives, governmental and industrial alike (Interview no. 20). This can, for example, be seen from the way Rosediana Suharto is approaching the promotion of palm oil in Europe. She does explain how ISPO is derived from state legislation which is why it is mandatory. She does not ask other governments to accept the Indonesian standard but rather she presents it as a given fact. She argues that other governments should support ISPO because it is a direct result of a sovereign act of a fellow sovereign country (Interview no. 8). Others see RSPO as a means of European governments to control the supply of palm oil. The pressure from NGOs is depicted as very negative in both countries, Indonesia and Malaysia. They are seen as leading a “black campaign” (Interview no. 3) against palm oil. They are naming and shaming without constructively contributing. In order to make the NGOs look less credible they are presented as having insufficient knowledge on the matter: “Europe thinks because we are from a developing country that we are not so clever! You should only judge if you understand the role and meaning of palm oil for Indonesia and the world” (more or less literally from

Interview no. 8). Indonesia experiences very strong negative pressure from Europe without any form of appreciation. Some go even as far as to accuse Western NGOs and even governments of pursuing some kind of neo-colonial interests (Interviews no. 9 and 11). This shows how emotional the debate has already become and that Indonesia is using a very offensive discourse here.

In Malaysia, NGOs are suspiciously criticized for being subsidized by the EU (Interview no. 21). The industry fears that NGOs are not accountable to WTO law or any other institution but they are powerful in damaging individual companies when they are calling for a ban of palm oil in order to protect the rain forest. This is why NGOs and their claims for more environmental and social sustainability are considered to have a negative effect on the productivity of the palm oil companies (Interview no. 21). On their website the MPOA declares palm oil as a national security crop that needs to be protected against negative impacts from NGOs, if necessary in cooperation with the national police (MPOA, unknown and interview no. 21).

In Indonesia, another way of reacting to critical voices from Europe is to denounce the importance of Europe as an export market and thus their right to complain about palm oil. By stating that Europe is not the biggest buyer of palm oil and that it certainly does not buy as much certified palm oil as they said they would, it is made clear that Indonesia does not depend on Europe as a market (Interview no. 8).

As described above there is scepticism among many Western buyers and governments with regard to the credibility of IPSO certified palm oil, especially because there already is one standard. When ISPO is being accused of copying RSPO its supporters make very clear how their own laws were established long before the RSPO rules and that the Indonesian legal system is one of the best environmental laws in the world (Interview no. 8). ISPO will now ensure that the implementation will improve. In this case ISPO is not so much presented as a reaction to the 'failure' of RSPO, but as unavoidable, a necessary initiative that results from Indonesian policies and their wish to have an economically stable and viable palm oil sector in order to support the development of the country.

Another aspect of the rhetoric is linked to different definitions of sustainability. The Ministry of Agriculture is stressing the importance of economic development with its benefits for society as a whole over environmental issues, like endangered species and GHG emissions. The development of the palm oil sector will benefit smallholders and raise the poverty line. So far many producers are not able to afford conservation and the protection of wildlife while they themselves struggle with surviving (Interview no. 7).

In the following section I will show how the activities and rhetoric can be identified as strategies employed by the Indonesian and Malaysian key palm oil stakeholders. I will show the importance of the notion of sovereignty for the reasoning behind these actions and I show their implications for the role of the Indonesian and Malaysian state actors.

ANALYSIS:

What I have described in the previous section is the relationship between key actors of the Indonesian palm oil sector and the non-state organization RSPO. The relationship is changing over time which becomes visible through a certain contextual positioning of the ISPO supporters within the Ministry of Agriculture which is amplified by the attitude of the Indonesian palm oil industry. The relationship between ISPO and RSPO is built on the interactions on the one hand and the rhetoric used to express the nature of the relationship on the other hand. As could be seen the relationship changed over time and according to the context. I will now first describe how these interactions can be seen as networking strategies which the Ministry of Agriculture is employing in order to constantly re-position itself within the governance of palm oil. Second, I will identify certain rhetorical patterns, used by the chair and other supporters of the ISPO, as discursive strategies which complement the networking strategies but also go beyond them. That is, the discourse is used to express a certain reasoning behind the networking strategies. I will first look at the two different kinds of strategies separately by explaining how they can be seen as conscious choices which belong into a certain context. After that I will investigate to what extent my description and analysis of the Indonesian palm oil key actors is compatible with Randeria's theory on the 'cunning state'. Throughout all the sections I will again focus on the situation in Indonesia and compare this to the Malaysian case where possible.

Networking Strategies:

In the theory section I explained how actors might choose to engage in a certain network or relation in order to have the possibility of sharing certain resources or authority. The Indonesian Ministry of Agriculture is actively engaging with different other actors and stakeholders in the palm oil sector and in doing so establishes a strategic network of supporters and alliances to its benefits. The changing nature of the relationship between ISPO and RSPO shows that it is under constant influence of individual goal-oriented decisions taken by actors on both sides. In the beginning, the Ministry of Agriculture very consciously embraced the RSPO approach to make Indonesian palm oil more sustainable because it was favouring their own interests, too. An improved reputation for one of their most important agricultural crops and thus better market access in Western countries, premium prices and general opportunities for development seemed good reasons to allow a non-state organization to regulate the sector through private certification. Since the RSPO explicitly excludes state actors from membership and board, the ministry gave up part of their authority over their own palm oil in order to profit from the RSPO regulation and enforcement as well as the voluntary character of the RSPO which makes it credible for western countries. Still, the Indonesian state was not completely excluded from engaging in the RSPO. Rosediana Suharto, current chair of the ISPO, agreed to be a frequent advisor to the RSPO and even assigned one of her staff to be part of the team that designed the RSPO principles and criteria. He became the technical manager of the RSPO. Furthermore, several civil servants from different ministries acted as technical consultants for the national interpretations of the generic RSPO principle and criteria. This ensured a certain degree of influence on behalf of the ministry over decisions taken in the RSPO. The RSPO on the other hand profited from the knowledge of the local palm oil governance experts.

The hoped for change through RSPO, however, takes place only partly. European buyers need time to adjust their demand and traceability schemes which results in a low uptake of certified sustainable palm

oil and consequently premium prices do not meet the expectations. At the same time, Indonesian producers are still under attack from NGOs. RSPO criteria became stricter, in order to serve the demand of the market and growers experienced it as a strong limitation of their possibility to expand their businesses. The majority of members now are traders, banks and NGOs who outnumber producers now by far. According to GAPKI the Indonesian palm oil growers are very unhappy with this situation. GAPKI saw no more added value in the RSPO membership so they left the RSPO. Many individual companies continued their membership, probably because they still see the RSPO as a ticket to the European market. The expected benefits were only partly fulfilled and to some extent the situation for growers became even worse. This initiated a change in the relationship between the ministry and RSPO.

Whether the launch of the ISPO was the result of GAPKI leaving the RSPO or whether GAPKI left in order to support the national standard cannot be said with certainty but probably a combination of both is the most likely explanation. It is thus reasonable to assume that the Ministry of Agriculture was under some pressure from the palm oil industry to come up with something that would re-gain control and flexibility over the palm oil sector. That is, if the ministry ever had this control prior to the RSPO intervention. The Ministry of Agriculture launched the ISPO principle and criteria partly as a response to RSPO and partly because there is a legal obligation for growers to follow the law.

As a consequence, the strong ties that had been established between the RSPO and the ministry, loosened and new ties were established. The ministry started to build a coalition with GAPKI who is represented in the IPOC. Also, the support of NGOs was sought. They are indirectly represented in the commission through one NGO leader who has this position on a personal title. Both, GAPKI and some NGOs, were accompanying the ISPO secretariat on the promotion tour, too.

This promotion tour presents another form of networking on behalf of the IPSO secretariat: building government to government relationships. The ISPO secretariat, part of the Indonesian government, presented their national certification scheme in front of government officials in many different countries. This way they seek to circumvent the sceptical market and establish supportive ties with and gain acceptance from governments of export markets. Even though there was some positive feedback (Interview no. 8) there is, above all, support through non-rejection (5). That is, governments listened to the argumentation of the Indonesian delegation and expressed their appreciation for the Indonesian commitment to sustainability. However, there is no actual financial or technical support or the agreement to view ISPO equal to RSPO, which remains the favoured standard. So the promotion of ISPO to other governments actually did not lead to an increase in the credibility of the ISPO among importing states. Since the product is dependent on the credibility towards market actors, it could have been clear from the beginning that the promotion between government bodies alone would not solve the credibility problem. The nature of a product standard requires that it is being accepted on the market. That is, even if governments actively supported the standard, the buyers have the final say in whether it is considered credible or not. This becomes clear as the promotion was always also attended by NGOs and the industry, both from Indonesia and the country visited. This shows that the ISPO secretariat is aware of its dependence on civil society actors as well as the processing and buying industry.

A close cooperation with Malaysia on ISPO is consciously avoided because the Ministry of Agriculture does not want to mix up their palm oil under a mandatory standard with Malaysian palm oil which is not subject to a mandatory national certification scheme. Of course, there is frequent interaction between palm oil key actors on both sides but the interaction does not include plans for a common standard, for example, which could make both countries together a strong entity vis-a-vis European interests. Another very important aspect is that Indonesia and Malaysia are biggest rivals in the sector. If Indonesia can

distinguish its own palm oil with a mandatory standard and raise the bottom line for sustainability for their own producers, this might be an advantage for them.

While the launch of ISPO was a clear sign on behalf of the Ministry of Agriculture that Indonesia wants to be in charge of their own palm oil, they also tend to accept intergovernmental pressure better than NGO pressure from Europe. They feel obliged to act upon sustainability agreements from international conferences (Interview no. 8) and implement measures in their own way rather than adjusting their behaviour due to civil society demands. This is also reflected in their commitment to the SPO initiative which is coordinated by the UN Development Programme. The UNDP engages in cooperation with Indonesia because of their “Green Commodities Programme” which includes the promotion of sustainable palm oil development. The Ministry of Trade welcomed this cooperation because it might help to bring Indonesian palm oil on the list of products which can be traded under beneficial tariffs within the APEC region. Furthermore, engaging with a well-known international organization shows a commitment on the Indonesian side to an international understanding of sustainability. Thus, through the cooperation with the UNDP, the Ministry of Agriculture cannot be blamed for non-compliance with internationally accepted norms.

Another aspect of this engagement is the agreement to the joint study between RSPO and ISPO. This shows how the Ministry of Agriculture is willing to explore possible ways of cooperation with the RSPO again. The slow progress of the study, however, and certain comments on behalf of the IPSO chair, that a joint auditing process would never be possible (Interview no. 8), change this picture. There is collaboration between the two but a certain distance is kept alive. It is possible that the ministry recognized the importance of the acceptance of the market which is why they agree to the joint study. On the other hand, they are not willing to compromise on their own principles and criteria in order to merge auditing processes with the RSPO. In a nutshell, one could say that the ISPO secretariat is investigating possibilities for cost reduction in the auditing process and seeks to decrease the confusion for the market. They show good will and adhere to international pressure in the form of the UNDP. At the same time the ISPO chair-women is emphasizing the differences between the reasoning of RSPO and ISPO and that they are not willing to be pushed around.

In Malaysia the MSPO has also been developed as a response towards the RSPO but the policy makers are less concerned with promoting the standard than promoting Malaysian palm oil as a distinct product from the Indonesian palm oil or any other palm oil. Since MSPO is no mandatory standard it has a different significance for defining Malaysian palm oil. Still, the Malaysian palm oil is considered to be different the one in Indonesia with regard to production and management. This distinction is emphasized but not by using the MSPO standard as an indicator for that. The Malaysian palm oil sector is strongly organized around the three organisations MPOB, MPOA and MPOC. Together these three form a dense network for the management and development of Malaysian palm oil. The exchange with foreign actors occurs between professionals, like researchers or even lawyers (Interview no. 21). In both, Indonesia and Malaysia the palm oil industry is very influential and has a good relation to the government. However, there is a clear distinction between the government and the industry in the democratic state of Indonesia while the industry is funding government research on palm oil in Malaysia which makes the state much less independent. Of the three organisations in Malaysia who govern the palm oil sector, two are non-state which makes it hard to identify a clear line as to where the state domain ends and the industry begins. While Indonesia is engaging with the UNDP and in doing so is getting closer with the RSPO again, this is something that is not happening in Malaysia. The government is very much bundling all national forces in order to strengthen their palm oil sector, while Indonesia is also collaborating with external actors.

The change in the relationship between the RSPO and ISPO has been attended by a certain rhetoric about the RSPO and their relation to ISPO and about sustainable palm oil. This rhetoric has been constantly adapted to the status of the relationship. The rhetoric thus went from 'RSPO is a great chance for palm oil in Indonesia' to 'there is not enough common ground between RSPO and ISPO to cooperate'.

As explained in the theory section identifying a discourse is done through understanding how certain activities and policies gain acceptance. Therefore, I will show how different "packages of meaning" (Fletcher, 2009) are used by the palm oil key actors in Indonesia in order to verify their action in the palm oil governance. This includes a certain rhetoric about the RSPO and perspectives on sustainability and development in general. I will point out the key words and underlying assumptions that are part of the discourse. This will enable me to show how meaning is constructed in a strategic way and what goals are meant to be achieved through that.

The perception of the Ministry of Agriculture about the RSPO changed over time from being a supportive means for the realization of national goals towards an external actor who is going too far in its involvement in the national regulation of palm oil. The RSPO regulations are seen as restrictions for the development of palm oil in Indonesia. Indonesia sees little space left for their own decisions and ideas. Such a perspective indirectly contains the fear of losing control over an important national economic sector over what Risse (2010) would describe as domestic sovereignty. Indonesia is disappointed with this development which explains the rhetoric they use with regard to the RSPO and European NGOs in general. The RSPO is depicted as being a neo-colonial tool of the West. The product standards from outside are experienced as means to dominate the supply in terms of prices and quality without taking into consideration the interests and needs of the local government, industry or population. Western critics about palm oil are seen as arrogant protectionists who have a strong opinion about palm oil while they lack the actual experience and knowledge about the country. Some Indonesian actors assume the wish to protect European rapeseed and sunflower oil behind this dismissive attitude towards palm oil. To be clear, this idea about the RSPO and European NGOs is not the dominant discourse among the Indonesian public as far as I can tell from talking to NGO workers in Bogor (Java) and Pontianak (Kalimantan). Many of them also appreciate the pressure for more sustainability that is directed towards their government. Some influential politicians and industrials who represent ISPO however do make use of such nationalistic expressions more or less explicitly (Interviews no. 8, 9, 11, 13 and 17). Similar arguments are used in Malaysia, too (Interview no. 21). The first discourse can be described as one of appreciation, cooperation and joint goal in terms of market access, while the second discourse is characterised by the urge to differentiate Indonesian from European interests and nationalistic expressions.

As a response to this invasive behaviour of the RSPO, the ISPO secretariat employs another discourse which puts much emphasis on the unconditional sovereignty of the Indonesian state. ISPO is often criticised for not being independent or it is considered obsolete given that the RSPO standard is already in place. The secretariat however makes clear that ISPO, as a re-articulation of the national legislation, must exist and must be mandatory, because it is law. When ISPO is being accused of copying RSPO they state that their own laws were established long before the RSPO rules (which had to be developed in accordance with Indonesian legislation). It is however remarkable that the government of Indonesia has adopted the third-party certification strategy of the RSPO since the implementation of their legislation

has not been successful in responding to the market demand. Furthermore, by stating that Europe is not the biggest buyer of palm oil and that it certainly does not buy as much certified palm oil as was indicated with the start of the RSPO, it is made clear that Indonesia does not depend on Europe as a market (Interview no. 8). With such statements, the importance of Europe in the palm oil sector is diminished. This rhetoric is used in terms of the market but in general the discourse is leading towards the question about the sovereignty of the Indonesian state. Do they have to accept foreign non-state actors who seek to regulate the important palm oil sector according to their own benefits and ideas? After having suffered from colonial suppression for a long time, Indonesia wants to show its own strength and ability to act responsible in the case of palm oil. At the same time the country will pursue its own interests with regard to economic development and takes its freedom to interpret international calls for more sustainability in a way that suits them best. Stressing the sovereignty of their country, the ISPO secretariat does not plea other states and companies to accept their standard. Rather, they explain that ISPO is a mandatory scheme which consists of national laws and that this mandatory standard is to be accepted because soon there will not be any other palm oil available. Supporting ISPO certified palm oil is the only way to make the palm oil sector more sustainable and at the same time this would mean to accept Indonesia as an equal partner in politics and trade. It seems as if the question about which standard to support has become a principle choice and not one that is focused on the outcome. In the eyes of Indonesia they have the right, as a sovereign state, to be accepted and supported by other states in their attempts to pursue sustainable development according to their own definition of sustainability and according to their own needs. Indonesia needs time and flexibility to do the right thing (Interview no. 7) and they do not want to be run over by influential industries and subsidized NGOs who tell them how to do it better. This is why they ask other countries for their support of ISPO during their promotion trips.

Certain keywords can be assigned to the three different discourses. 'Cooperation' describes the first discourse which is about two institutions working towards the shared goal of supplying sustainable palm oil and engaging in a win-win situation. The keyword 'differentiation' characterises the second discourse which is full of nationalistic statements with which the Ministry of Agriculture is defending their own interests against European ones. Finally, the third discourse can be linked to the keyword 'sovereignty' in which Indonesian actors claim their right to make their own decisions with regard to palm oil management and economic sustainability in broader sense.

As indicated in the previous section on network strategies, the situation is different in Malaysia. In contrast to Indonesia, there seems to be less concern with the international community. Very similar to Indonesia, they employ a rather nationalistic discourse about sovereignty and emphasise their right to define sustainability and development for themselves. A representative of the industry sees NGOs as an obstacle to the expansion of the palm oil sector and thus growth. He is very much convinced that the influence of NGOs or labour unions is something negative. Companies, on the other hand, should pay back society through investments in research, which will improve the palm oil sector. By declaring palm oil as a 'national security crop', it becomes clear how much meaning palm oil has for the Malaysian economic development, or development in general. In addition to criticising NGOs for not being accountable for the potential damage they can do to companies, the opinion about Westerners is not improved by the way they present themselves during meetings in Malaysia. Cultural aspects concerning negotiations and business relations are very important in Malaysia. Disrespectful behaviour of western NGO representatives encourages an image of Europeans who consider themselves superior to other cultures and poorer countries. Such a point of view is tolerated in neither Malaysia nor Indonesia.

I will now turn to Randeria's (2003 (1), 2003 (2) and 2007) ideas about the cunning state. The plural legal order of a globalized world has been challenging the claim of absolute sovereignty for a few centuries already (Krasner 2001 (1), 2001 (2) and 2011) which leads to different theoretical approaches towards the role of states. As explained in more detail in the theory section Randeria characterises cunning states as those that capitalize on their perceived weakness in order to avoid responsibility with regard to poverty alleviation or protecting the environment. Rather, they engage in alliances with supra-national organisations who support 'weak' states in dealing with these problems. Cunning states are different from actual weak states in the sense that they manage to keep some room to act and exercise their authority; most often this is not to the benefit of the poor and marginalized but rather protects and promotes the interests of the established elite and the status quo.

The politics around palm oil in Indonesia provide a very good example of legal pluralism. With the RSPO creating an additional normative framework for sustainable palm oil, a *non*-state actor establishes authority in the regulation of palm oil and becomes a relevant decision-maker next to the state. The RSPO was so successful because the Indonesian regulation failed to provide the type of sustainable palm oil that is demanded by Europe, the fourth largest market. Does that indicate that the Indonesian government was not able to manage their domestic palm oil sector? They certainly were not able to manage it according to European expectations and demands. The government, however, was successful in becoming one of the two world leaders in producing palm oil which boosts economic growth rates for the country. The RSPO managed to gain great influence in Indonesia and Malaysia through certifying producers who now are operating according to the rules of the RSPO. But does the involvement of the RSPO suggest that the Indonesian state can be rendered unimportant? No. As can be seen from the previous two sections about discursive and networking strategies, the Ministry of Agriculture is capable of making strategic decisions and to act accordingly. The RSPO is bound to national legislations and cannot simply operate as it pleases which leaves considerable authority with the Indonesian state.

Do Indonesian state actors make use of their perception as being weak then? Yes. The Indonesian law protects the rights of the Indigenous and the environment but the national authorities fail to implement and exercise the regulations. The Ministry of Agriculture and the Ministry of Environment render themselves incapable of fighting the corruption which is an important factor enabling the unsustainable exploitation of people and the environment. Local officers are hired who are supposed to monitor the compliance with the law but they often lack the political willingness to 'do the right thing' and become subjects to corruption. This is why the Indonesian government as a whole is perceived as being too weak to deal with the negative side-effects of palm oil production by the West. The RSPO is supposed to intervene and thus to compensate for the weak performance of the state actors to enforce their own legislation. In the beginning of the RSPO, in 2004 and 2005, the Ministry of Agriculture accepted this 'support'. The RSPO certification presented an opportunity to improve the supply for the European market that demanded more sustainable production practices and was willing to pay a premium for that. This market logic seemed to be a reasonable way of changing the performance of the palm oil growers. Also, the RSPO, being a non-state actor, most likely did not ask the Indonesian state for permission to operate their certification within Indonesian borders. However, there was the need to cooperate because RSPO rules could not contradict with national law.

At some point, however, the RSPO rules became stricter, as a response to critical European NGOs and consumers, which restrained Indonesian producers more than it benefited them. When the resentment

of the palm industry became too strong the ministry took action. The launch of the ISPO certification scheme shows that the state actors actually did have room for making their own decisions. However, the content of the ISPO is not intent to be an answer to the criticism that the RSPO is facing but rather to solve the issues of the palm oil industry. ISPO does not stand for structural change and emancipation of smallholders, it does not fight corruption or promote strict environmental regulations. ISPO, although it is a standard according to Indonesian law cannot be considered a pro-poor instrument for sustainable development. Rather, ISPO provides legal space for the extension of the Indonesian palm oil industry and mainly preserves structures which are favourable for this elite. So far, the only activities with regard to smallholder development have been undertaken by the UN Development Program and not by the Ministry of Agriculture (Interview no. 15)

The development in Indonesia is in line with Randeria's idea of a 'cunning state': the state actors render themselves unaccountable and give the impression that they are too weak to implement their own rules. Fighting all corruption is left to the small state agency KPK which is struggling with the workload assigned to them. The ISPO does not involve any additional means for corruption eradication. On the other hand, when the interests of the industry are threatened, 'room for manoeuvre' is being created and the state actors are able to undertake action. Within this room for manoeuvre, however, the state actors are explicitly promoting the interests of the industry while there is no scheme for smallholders (yet).

The case of Malaysia is different. Here, the national government is a strong authority with considerable control over local authorities, which is different from Indonesia. Problems of corruption and decentralization were not mentioned in the interviews. Rather, the state is seen as one unit without contradicting policies in different ministries (Interview no. 22). Activists and NGOs are perceived as trouble-makers and almost as a security threat while successful companies are seen as promoting growth, reinvest into society, in the form of palm oil research (interview no. 21). The interests of the industry are considerably shaping palm oil politics (Interviews no. 21 and 23). The situation of smallholders was not mentioned by the representatives of the state and the industry. It is thus likely that in Malaysia the industry and other elites are favoured above the smallholders. Malaysia is not the kind of state that would depict itself as being weak because of its well-organized state structure, with much control over the domestic territory. For Malaysia, the engagement with the RSPO was a way of monitoring the development of the certification and not a way of changing their management of palm oil or seeking international recognition. This desire to control is also the reason why the MPOA still has not left the RSPO.

Indonesia can be described as a cunning state because external interventions are accepted as long as their own interests are being served. As soon as these are threatened, resources are mobilised and the space for decision-making is claimed back. This space is then used, not in a way that would necessarily be beneficial for smallholders and displaced indigenous people, but in a way that primarily serves the industry.

Conclusion:

I will now come back to the main research question: “How do the Indonesian and Malaysian key state actors, related to the palm oil sector, position themselves vis-a-vis other state and non-state actors in the governance of sustainable palm oil at the national and international level?” The first question that needs to be answered is how the state actors position themselves vis-à-vis other actors on the national level. In Indonesia, the ministry of Agriculture, and in particular the ISPO secretariat, takes the lead in managing palm oil. They do so with input from other ministries, NGOs and the industry. The Indonesian Palm Oil Commission, the IPOC, includes representatives from all ministries which are relevant for the palm oil sector, one NGO leader and two GAPKI representatives. However, the agendas of the Ministries of Forestry and Agriculture are rather contradictory. The first strives to conserve the natural forest, although land is sold illegally, and the latter is pursuing revenues from agricultural activities. The same is true for other ministries: all of them have their own agendas and policies which do not necessarily have palm oil as their focus. It is thus difficult for the Ministry of Agriculture to establish and enforce a coherent set of palm oil policies.

In Malaysia, the state forms a more central, strictly organized authority which makes managing palm oil a lot easier. This does make sense because in Malaysia palm oil is one of the highest priorities among policy makers across ministries. Like in Indonesia the link with the industry is very close. Research is co-funded by the industry and their lobby is very strong as well. NGOs, unlike in Indonesia, are seen as the enemy, who is working against the welfare of the Malaysian population through demanding strict regulation for the palm oil industry.

At the international level, neither of the world’s biggest producers, Indonesia nor Malaysia, has ambitions to plan the development of a joint standard in order to form a strong alliance against pressure from Europe. Of course, there is cooperation between the two to some extent but in general both try to be different from the other. The ISPO is supposed to make Indonesian palm oil trusted as a sustainable commodity on the world market while in Malaysia the development of a mandatory certification scheme (MSPO) not the priority for the palm oil sector. Through research about biofuels and more efficient crops Malaysia is seeking to make their palm oil a distinct and highly demanded product, not through MSPO certification. While Malaysia is acting rather independently in the management of its palm oil, Indonesia is seeking support from the international level to some extent. This is an important characteristic for a cunning state, like Indonesia.

So in both countries the state actors strategically position themselves differently towards different actors at the national and international level which might vary according to the context. In Indonesia the government decided to evade the RSPO pressure from the outside and rather remain close relations with the industry. While they seem reluctant to cooperate with the RSPO now, after the launch of the ISPO, the ISPO initiators agreed to the joint study in order to fulfil the expectations on the international level. Again, this strategic collaboration is a strong indication for the cunning state. Since the RSPO is well-accepted in Europe and other Western countries and since the ISPO does not enjoy the same credibility, the Indonesian palm oil key actors have to show appreciation towards the RSPO and their willingness for cooperation.

Discussion:

In this last section I will first reflect on my research objectives which I presented in the beginning of the thesis. Then I will engage in a short debate in which I will comment on the usefulness of my theoretical framework for analysing the role of the Indonesian and Malaysian state in palm oil governance. Third, I will take a closer at the conceptualization that I have used in order to characterize and evaluate the Indonesian and Malaysian state. So far my argumentation has been guided by the attempt to see through the eyes of the Indonesian state actors. In this last section I want to critically reflect on this method.

For the purpose of this thesis I tried to escape a Eurocentric perspective as much as possible. I tried to look through the eyes of the Indonesian state actors and thus to provide more thorough insights into their reasoning within the international debate about sustainable palm oil. It has become very clear that in the debate few arguments actually are the result of rational arguments. On the contrary, the debate has been shifting from a solution-oriented approach, within sustainable palm oil management, towards a question about sovereignty. I have been trying to show that for Indonesia this question about sovereignty is a very essential one. This makes the debate rather emotional while countries in Europe do not seem to understand Indonesia's explicit wish for being recognised as a sovereign country. Negotiations between East and West would be advanced to a great extent if there was a feeling of being treated as an equal partner on behalf of the Indonesian actors.

By showing the strategic component of the discursive and networking activities of the Ministry of Agriculture, I was able to show that the state as such has not lost its meaning in the face of roundtables and other private or public-private initiatives who claim the legitimacy to rule in policy realms or actual physical places where the state seems to fail. 'The state' is not one huge bureaucratic, passive and homogenous entity. 'The state' consists of many individuals with their own agendas who constantly make decisions.

Randeria's theory about the cunning state has been a helpful analytical tool for the characterization of the Indonesian state in the palm oil governance debate. While reasoning with the arguments of the Indonesian state can generate interesting and crucial insights, this strategy tends to overlook some critical aspects. Such aspects were brought to the surface by applying Randeria's theory. The way she differentiates between the choices of 'supposed-to-be-weak-states' and 'actual-weak-states' provides an additional perspective. The cunning state is not passive and forms an important player even in debates which have been drawn to a global level. The example of the ministry that launches their own standard, the ISPO, shows that. The ministry first accepted the intervention from outside through the RSPO but 're'-discovered its options for strengthening their own regulations which they could have been doing even before the RSPO launch in 2004. But Randeria does not stop there, she argues that we have to examine the political choices made. This provided me with a more critical view towards the ISPO certification scheme which is not exactly a pro-poor tool promoting structural changes for a more sustainable management of palm oil. It rather protects the interests of the industry.

The ISPO standard is a way of checking whether a company is operating legally, that is, whether the company has the legal documents that allow the development and operation of palm oil plantations. The ISPO scheme however does not check how these documents were obtained. Once the documents can be provided the company is declared legal even though it might have been involved in bribery, land grab or

illegal deforestation before. However, maybe critics need to be more careful when they condemn Indonesian civil servants for being corrupt. Indonesia is a newly democratic country which is still coping with the transition of a changing regime and new elites. With this struggle in mind one might be less inclined to see Indonesia as a weak state, unable to facilitate a proper regulation of natural resources, but to appreciate the progress made so far and to allow for more flexibility and time to strengthen the democratic structures.

The management of sustainable palm oil in Indonesia forms a good example for a cunning state as described by Randeria. This is not the case in Malaysia. In both countries, the RSPO is an influential institution regulating a considerable amount of palm oil. Both countries experience the RSPO as an external actor intruding their palm oil sector, which is one of their main economic drivers, with their Western ideas. Both countries have been undertaking efforts to create their own national standards in order to form a counter initiative. What makes the two states so different when it comes to dealing with other state and non-state actors? Many wonder why, instead of creating yet another certification scheme that confuses the market, there is no collaboration between Indonesia and Malaysia. Given the fact that the two countries have a shared interest in making their palm oil sector more sustainable and their products thus more attractive, it is reasonable to assume they might want to form a stronger alliance towards European critics and create one standard. Malaysia wishes to distinguish their palm oil from the Indonesian one and Indonesia is not willing to cooperate with Malaysia as long as they do not make their MSPO mandatory.

As mentioned earlier, Indonesia has become a democracy while in Malaysia the government forms a rather centralised authority. The way palm oil is seen as a crop which needs police protection from activists' interventions shows the importance of the palm oil sector for Malaysia and the extent of authority of the regime. Unlike Indonesia, Malaysia presents itself as a strong, independent state that does not need to engage with external state institutions or non-state institutions, like NGOs, when it comes to governing sustainable palm oil. In Indonesia, the government cooperates with international institutions in order to secure their legitimacy as a democratic country. The two countries are thus fundamentally different in their way of interacting with the international community and in how far they are trying to fulfil the international norm for sustainability.

Annex:

Interview	Affiliation	Function	Date of Interview
1	AidEnvironment	Senior Consultant	15.02.2014
2	none	Researcher	16.02.2014
3	Dutch Embassy in Jakarta	Head and Counsellor of the Agricultural Department	17.02.2014
4	FP2SB NGO	Chairperson and former DG of Estates	17.02.2014
5	RSPO (RILO)	Technical Manager	18.02.2014
6	LINKS NGO/ IPOC	Chairperson and IPOC member	19.02.2014
7	none	Former minister of Agriculture and RSPO advisor	19.02.2014
8	ISPO	Executive Chairperson	21.02.2014
9	GAPKI/IPOC	Director and member of IPOC	22.02.2014
10	RSPO (RILO)	Director	01.03.2014
11	Daemeter	Consultant	06.03.2014
12	RSPO (RILO)	Director	10.03.2014
13	GAPKI/IPOC and Astra Agro	Executive Director and IPOC member and director of Astra Agro	12.03.2014
14	ANU, WWF, RSPO	PhD student at ANU, WWF advisor and program director, former board member of RSPO	13.03.2014
15	UNDP	Program Manager Environmental Unit, coordinator of SPO	19.03.2014
16	Jakarta Post	Senior-Journalist at Jakarta Post (economics section)	21.03.2014
17	KPK	Researcher at a sister organization of KPK	24.03.2014
18	Transparency International	Deputy of Secretary General at TI	24.03.2014
19	Indonesia Corruption Watch	Employee in budgeting and Monitoring division at ICW	25.03.2014
20	WALHI, Sawit Watch NGO	Director of WALHI and former director of Sawit Watch	28.03.2014
21	MPOA	Executive Director	23.04.2014
22	MPOB	Researcher	29.04.2014
23	MPOB	Head of Preservation, Conservation and Certification	30.04.2014
24	RSPO	Advisor	06.05.2014
25	RSPO	Head of impacts	08.05.2014
26	AidEnvironment	Consultant	13.03.2014

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