

When CSR meets plural legal order: can palm oil companies do better than public authorities by committing to zero-deforestation in Indonesia?

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Abstract

Corporate Social Responsibility (CSR) has been seen as the manifestation of corporate citizenship or the contribution of corporations as part of society. As such, the initiatives and activities within the scope of CSR are often aimed at contributing to the society's greater good. However, little has been discussed on the significance and implications of CSR activities in the context of plural, often conflicting, legal orders.

This paper discusses a particular case when a CSR initiative overlaps with global private and national public regulations on sustainability. One of the most controversial issues in public and political debates on sustainability is the expansion of palm oil as a global commodity at the expense of forests in Indonesia. The Roundtable on Sustainable Palm Oil (RSPO) and its standard launched in 2007 is a private multi-stakeholder regulation and was the only regulatory authority at both the global and national level to set rules for sustainable palm oil in palm oil producing countries. This changed when Indonesia, being the largest producer and exporter of palm oil, launched the mandatory Indonesian Sustainable Palm Oil (ISPO) standard in 2011. Palm oil buyers generally demand compliance with the RSPO standard, while Indonesia insists that ISPO is the mandatory standard for palm oil producers in Indonesia. As a result, the regulatory system to govern sustainable palm oil in Indonesia has changed from a singular to a plural system. This plural legal order has become more diversified and complicated when in 2014 four very large palm oil companies committing themselves to zero deforestation production of palm oil through self-regulation and establishing the platform of the Indonesian Palm Oil Pledge (IPOP). Self-regulation is seen as one of the 'new' forms of CSR (Auld et al. 2008). The companies' self-regulation may overlap with the requirements of the RSPO and ISPO. At the same time, their self-regulation may also conflict with the national regulation on plantations, which stipulate that concession holders cannot leave their entitlements idle and must clear the land to plant the oil palm.

We analyze the process through which the large palm oil companies promote zero-deforestation and navigate across different regulatory authorities and systems. For this purpose, we use the concept of interlegality (de Sousa-Santos 1987), that refers to interactions between different standards, norms, principles among different legal orders. We also use the concept of governance interactions (Eberlein et al. 2014) to explore whether and how interactions at the actor level can be characterized in terms of competition, cooperation, cooptation or chaos.

The paper contributes to policy debate on CSR in plural legal order by reflecting on the inception of the Indonesian Palm Oil Pledge (IPOP) and the interactions of IPOP with Indonesian public authorities, leading to the termination of IPOP. The paper concludes that good intentions of zero-deforestation and sustainability standards of private companies that are stricter than those of public authorities, are not necessarily well accepted by these authorities. On the contrary, collective organization of CSR may be considered a threat to public authorities, certainly when these authorities perceive the standards as influenced by foreign powers and not beneficial for smallholders.

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1. Introduction

Corporate Social Responsibility (CSR) has been seen as the manifestation of corporate contribution to society. As such, the initiatives and activities within the scope of CSR are often aimed at contributing to the society's greater good. Many existing studies refer to the drivers of CSR, both internally and externally. There are also studies on the effects of CSR on the financial performance and employee satisfaction. However, little has been discussed on the significance and implications of CSR activities in the context of plural, often conflicting, legal orders.

This paper attempts to draw insights from a particular case when a CSR initiative overlaps or conflicts with global private and national public regulations on sustainability. One of the most controversial issues in public and political debates on sustainability is the expansion of palm oil as a global commodity at the expense of forests in Indonesia. The Roundtable on Sustainable Palm Oil (RSPO) and its standard launched in 2007 is a private multi-stakeholder regulation and was the only regulatory authority at both the global and national level to set rules for sustainable palm oil in palm oil producing countries. This changed when Indonesia, being the largest producer and exporter of palm oil, launched the mandatory Indonesian Sustainable Palm Oil (ISPO) standard in 2011. Palm oil buyers generally demand compliance with the RSPO standard, while Indonesia insists that ISPO is the mandatory standard for palm oil producers in Indonesia. As a result, the regulatory system to govern sustainable palm oil in Indonesia has changed from a singular to a plural system.

This plural legal order has become more diversified and complicated when in September 2014 four very large palm oil companies committing themselves to zero deforestation production of palm oil through self-regulation and establishing the platform of the Indonesian Palm Oil Pledge (IPOP). Self-regulation is seen as one of the 'new' forms of CSR (Auld et al. 2008). The companies' self-regulation may overlap with the requirements of the RSPO and ISPO. At the same time, they may also create tensions with existing sustainability standards and the actors regulating and implementing them. As IPOP was dissolved in July 2016, we aim to draw lessons on the interactions between the companies under IPOP and other actors and how they may change over time. For this purpose, we applied literature review and media and document analysis on the commitments under the IPOP, the interactions with other actors and its termination in less than two years after the signing in the New York Climate Summit in 2014.

2. Theoretical framework

Globalization of production and trade brings interconnectedness among actors in the production chain. Production of goods and services does not only involve actors along the value chain within a country, but also those outside the countries. Similarly, decisions made on a particular commodity affects actors in the value chain, both inside and outside the country. The production of goods and services creates economic, social and environmental impacts, both positively and negatively, and affecting the reputation of actors in the value chain. Reputation is what observers see about a particular company or industry in comparison with an ideal situation on how the particular industry should behave (Yue and Ingram 2012).

For industries that have the same characteristics, the reputation can go beyond individual companies. This is very much the situation for oil palm in Indonesia. Poor practices of several individual companies resulted in poor reputation of the whole palm oil industry. This is what Yue and Ingram (2012) refer to as "reputation commons". Companies in the industry are required to take collective efforts to rectify the industry reputation, and one of these efforts is to implement CSR. There are also signs that sustainability issues are better dealt with and increase the likelihoods of success by joining forces (Kiron et al. 2015).

Generally speaking, there are two different notions of CSR, each referring to a different driver of a company to take care of communities and engage with them. The first notion is that CSR is a form of charity and after-profit activity. The second notion refers to a wide array of attempts by companies to fully internalize social responsibility activities into the internal business process (Auld et al. 2008). In this context, self-regulation is seen as one of the many forms of the second version of CSR (Auld et al. 2008). Self-regulation may arise as a response of external pressures (Aguilera 2007, Godfrey et al. 2010), but can also evolve as a proactive corporate action and an attempt to control the market or the value chain (Dauvergne and Lister 2013).

One characteristic of self-regulation is the voluntary nature: an individual company or a group of companies establish self-regulation without any orders from other actors to do so (Auld et al. 2008). The scope of self-regulation is not regulated by the state, which provides some flexibilities for the companies to set up their scope. Those who establish self-regulation face two main issues: the way and extent to which self-regulation can align with other existing regulatory systems (Short and Toffel 2010) and the way and extent to which design principles of self-regulation can be fulfilled (Termeer et al. 2013). The first issue deals with constraints on plural legal orders, and the other deals with establishing a well-designed self-regulation.

With the rise of self-regulation, next to global private and national public regulation, the palm oil sector can be characterized by global legal pluralism: the co-existence of different standards and regulatory systems across the globe. With different standards and regulatory systems co-exist, there are interactions both among different regulatory systems as well as among actors involved. These interactions among different regulatory systems can be described with the concept of interlegality (de Sousa-Santos 1987; Eberlein et al. 2014), that refers to interactions between different standards, norms, principles at the level of actors and regulatory systems.

Eberlein et al. (2014) develop a framework on the transnational business governance interactions (TBGI). Transnational business regulation refers to “systematic efforts to regulate business conduct that involve a significant degree of non-state authority in the performance of regulatory functions across national borders” (Eberlein et al. 2014). The notion of transnational refers to the transnational character of actors that set and implement the regulation (Wood et al. 2015). Eberlein et al. (2014) refer to the notion of governance as regulatory governance, which is “organized and sustained attempts to change the behaviour of target actors to further a collective end, through rules or norms and means of implementation and enforcement”. Interaction refers to ways where actors react, anticipate and influence to one another (Wilts and Skippari 2007, Eberlein et al. 2014), or “mutual actions and responses of individuals, groups, institutions, structures or systems” (Wood et al. 2015). Eberlein et al. (2014) distinguish three levels of interaction. At the micro level, interactions take place between actors. The meso level is about interactions between different regulations or forms of regulatory governance within the same domain or issue field. Interactions at the macro level are interactions between regulations or forms of regulatory governance from different domains or issue fields.

In the TBGI framework, Eberlein et al. (2014) elaborate six regulatory components that reflect the process from the genesis of regulation until its evaluation. These are: 1) framing the regulatory agenda and setting objectives; 2) formulating rules and norms; 3) implementing rules within targets; 4) gathering information and monitoring behaviour; 5) responding to non-compliance via sanctions and other forms of enforcement; and 6) evaluating policy and providing feedback, including the review of the rules. For each of the regulatory components, there are six important issues to take into account in analysing interactions. These are: 1) the actors who are interacting; 2) the drivers that shape interactions; 3) the mechanisms and pathways of interactions; 4) the character of interactions; 5) the effects of interactions, and 6) how

interactions change over time. These combination of the process of regulation and the issues can be visualized as a matrix with 36 cells (Eberlein et al. 2014 and Wood et al. 2015).

In this paper, we focus our attention on the actors involved during the life of IPOP and key issues in the interaction between companies that joined the IPOP and other actors. In this regard, we look at different arguments that different actors have used during the interactions with IPOP members.

3. The (hi)story of IPOP: from inception to termination

The IPOP was not the first time or occasion that the big palm oil companies committed themselves to sustainable palm oil. Companies had already set up their own sustainability policies before signing the pledge. These sustainability policies have been the result of long interactions between these companies and non-governmental organizations (NGOs) or nonprofit organizations. For example, Golden Agri Resource (GAR) established a 'forest conservation policy' in 2011. A few weeks before signing the pledge, this policy was updated (GAR 2014). The forest conservation policy was developed under consultation with the Tropical Forest Trust (TFT). Similarly, Wilmar set up its 'no deforestation, no peat, no exploitation policy' in December 2013 (Wilmar 2013) after consulting with the TFT (Johnson 2015). Cargill launched a 'policy on sustainable palm oil' in July 2014 (Cargill 2014). Asian Agri (AA) presented a 'sustainability policy' in its sustainability report of 2013-2014 (Asian Agri 2014).

Although these companies have different names for their sustainability policy, their policies have a lot in common. They share policies about no expansion into areas with High Conservation Value (HCV) and High Carbon Stock (HCS). These companies also have policies that forbid the development of plantations on peatlands. Also, these companies also have policies to respect the Free, Prior and Informed Consent (FPIC) for local communities.

One interesting issue with their sustainability policies is how these policies refer to the existing sustainability standards. On its forest conservation policy, GAR specifically mention the "compliance with *all relevant laws* and National Interpretation of RSPO Principles and Criteria" (GAR 2014). Cargill "endorses the ... (RSPO) as the primary global sustainability standard..." (Cargill 2014). Wilmar also makes specific reference to RSPO in their policy on HCV areas (Wilmar 2013). This is different for AA: its sustainability policy document does not include an endorsement or reference to RSPO. Interestingly, except for GAR that mentions "all relevant laws", no other company makes refers or endorses the ISPO, the national sustainability standard, let alone its endorsement.

3.1 The rise of IPOP

On September 24, 2014, during the Climate Change Summit, four big palm oil companies signed the IPOP. These companies were facilitated by the Indonesian Chamber of Commerce (ICC). The signing was witnessed by the (then) Indonesian president Susilo Bambang Yudhoyono. The purpose of the pledge was to "find solutions for sustainable palm oil that is deforestation free, respects human and community rights and delivers shareholder value" (IPOP 2014).

The pledge covers four main components. First, these companies pledge to improve environmental stewardship. Under this component, these companies would adopt and promote sustainable oil palm production practices. The adoption and promotion of sustainable production started from getting an agreement on acceptable scientific method to classify and identify forest areas with High Carbon Stock (HCS) and definition on the threshold that protects HCS forest, biodiversity and community and human rights. The companies also pledged that they would not develop new plantations on HCS areas based on the study that one of these companies had completed earlier (GAR and Greenpeace 2012). These

companies also pledged to adopt and promote sustainable supply chain management and procession. This is done by working with producers and consumers of palm oil to trace the origin of the supply.

Second, these companies promised to collaborate with other stakeholders and to engage with the Government of Indonesia (GoI) to encourage the development of policies, legal and regulatory frameworks that promote the implementation of the pledge. These include four elements, such as a) the codification of all elements in the pledge within Indonesian laws; b) support the development and implementation of ISPO; c) support national and local regulatory reforms that improve spatial planning, encourage land swaps, incentivize forest conservation and promote the use of lands with lower carbon stock; and d) support the refinement and roll out of the One Map initiative.

Third, the companies pledge to expand social benefits. These include the improvement of smallholder productivity through the provision of technical assistance to smallholders under partnership with these companies to improve yield and quality, and improvement of extension services to smallholders. To increase community participation in the oil palm production and processing, the companies pledged to facilitate the inclusion of smallholders into the supply chain, commitment to ensure the rights of communities are respected, and create jobs and employ local community members. Finally, these companies pledged to implement policies that empower communities, such as Free, Prior and Informed Consent (FPIC) of indigenous people and local communities, responsible handling of complains and resolution of conflicts.

Fourth, these companies pledged to increase the competitiveness of palm oil. Key activities under this part of the pledge include encouraging other palm oil companies to align with the pledge. The companies also wanted to raise awareness to increase the uptake of sustainable palm oil. Finally, these companies would carry out public relations activities to raise the image of Indonesian palm oil.

The members of IPOPOP tried to persuade other companies to join the cause. In November 2014, the Indonesian Chamber of Commerce (ICC) co-organized a workshop that was aimed to build a common understanding about the oil palm supply chain and identified policies and best practices to halt deforestation. In this workshop, the ICC stated that ICC would accommodate the intentions of these companies in moving toward sustainable palm oil business, and encourage those against the pledge to also show positive contribution in the palm oil sector (IBCSD 2014). During the workshop, the representative of Wilmar mentioned that the driver of the company's no-deforestation policy was the consumer power that demands sustainable palm oil. The representative of Cargill mentioned that deforestation and social welfare are the main issues in the palm oil supply chain (IBCSD 2014). One interesting remark by the representative of Cargill was the commitment from Cargill to only buy from sellers with a RSPO certificate and to make sure that all plasma holders abide to RSPO criteria (IBCSD 2014). At the same time, however, the companies agreed that ISPO is the minimum certification that a palm oil can pursue.

In December 2014, the ICC indicated that two more companies would join IPOPOP. At the same time, Musim Mas, another large palm oil company, issued its sustainability policy: 'no deforestation, no peatland and no exploitation'. After the ICC formally invited Musim Mas to be part of the pledge, Musim Mas confirmed its intention to join the pledge on January 30, 2015. Musim Mas became the fifth company to join the IPOPOP on the letter signed in March 2015. In September 2015, IPOPOP management invited Astra Agro Lestari (AAL) to join IPOPOP. The invitation was delivered after AAL updated the sustainability policy to reflect the pledge of IPOPOP. AAL finally joined IPOPOP in February 2016.

In August 2015, these companies set up IPOPOP management office. The management office was set up to assist IPOPOP members and ensure the implementation of the commitment. The management office also

facilitated the engagement process between IPOPOP members with the ICC and other actors, including the GoI, to implement the pledge. The management office set up its phased-approach programs toward achieving the pledge. In the first phase, which was planned to be completed in December 2016, the plan was to set up IPOPOP programs, develop strategic partnership, initiate key process of policy reforms, streamline the IPOPOP pledge into the GoI planning, and implement pilot programs. In the second phase, from January 2017 until December 2018, the key program was to upscale the pilot program. The third phase, from 2019 and beyond, the plan was to fully implement the four components of the pledge (Darus 2015).

According to its website (<http://www.palmoilpledge.id/en>) IPOPOP's had three key programs: farmers' empowerment, tenure reform and stakeholder engagement. The first program, farmers' empowerment, was done mainly through collaboration with the Union of Oil Palm Farmers (*Serikat Pekerja Kelapa Sawit* – SPKS). The second program on tenure reform was mainly done through the encouragement to comply with ISPO as a compliant to the GoI provisions. Finally, stakeholder engagement was planned through active participation in multistakeholder processes. However, until its termination, most of the activities of IPOPOP management office was mainly on the third one, that is participation or organization of stakeholder engagements. Individual companies, however, might have done the other key programs, such as GAR's activity to supply their plasma farmers with high quality seedlings and purchase their fresh fruit bunches (FFB), although it was not clear about what the companies did with the FFB from independent farmers.

3.2 IPOPOP vis-à-vis RSPO and ISPO

One of the questions raised with regard to the establishment of IPOPOP is about how IPOPOP differs and overlaps with two existing oil palm sustainability standards: RSPO and ISPO. Table 1 presents the RSPO and ISPO principles and compares them with IPOPOP.

Table 1 shows that two IPOPOP components do not differ much with principles of RSPO and ISPO: improving environmental stewardship and expanding social benefits. the others. Two other components of IPOPOP are not part of the principles of the RSPO or ISPO: the improvement of competitiveness and strengthening policy and regulations. Especially the latter component one is remarkable. IPOPOP aspires to collaborate with the GoI to codify all elements of the pledge. However, it would be impossible for the GoI to codify something that has already been regulated. Moreover, some regulations are in contrast to what the pledge aspires. For instance, official regulations allow planting on peatland with the depth of not more than three meters (Law 5 of 1990). Also, strengthening policy and regulations is a bit confusing because of salient differences between RSPO and ISPO in three areas: the implementation of HCV demarcation on areas already allocated to plantations, the implementation of free prior and informed consent, and the procedures for new planting (Hospes 2014; Ministry of Agriculture and RSPO Secretariat 2016).

Table 1. RSPO and ISPO principles and criteria and IPOP

	RSPO	ISPO*	IPOP
1.	Commitment to transparency		
2.	Compliance with applicable laws and regulations	Business Legality	Strengthen policy and regulations
3.	Commitment to long term economic and financial viability	Estate management	Improve competitiveness of Indonesian palm oil
4.	Use of appropriate best practices by growers and millers	Protection on the utilization of primary natural forest and peatland	
5.	Environmental responsibility and conservation of natural resources and biodiversity	Environmental management and monitoring	Improve environmental stewardship
6.	Responsible consideration of employees, and of individuals and communities affected by growers and mills	<ul style="list-style-type: none"> - Responsibility to the workers - Social responsibility and community economic empowerment 	Expand social benefits
7.	Responsible development of new plantings	Continuous business improvement	
8.	Commitment to continuous improvement in key areas of activity		

Sources: RSPO (2013), The Ministry of Agriculture Regulation 11/Permentan/OT.140/3/2015, IPOP (2014)

Note: *The principles are for integrated palm oil companies (estate+mill)

3.3 Reactions of the Government of Indonesia

Not long after IPOP management office was established in August 2015, the GoI expressed its disapproval of the IPOP. The representative of Coordinating Ministry of Economic Affairs (CMEA) viewed IPOP as a business-to-business initiative, that could put smallholders at risk. CMEA also reiterated the position that there is a mandatory sustainability standard for oil palm in Indonesia, that is ISPO. This view was also shared by the Ministry of Agriculture (MoA) and the House of Representatives, which also stated that IPOP was a manifestation of the pressures from foreign countries, thus putting Indonesia's sovereignty at risk (Said 2015; Sihombing 2015). Similarly, the representative of the Ministry of Environment and Forestry (MoEF) stated that IPOP overstepped the authority of government in terms of restricting land clearing for oil palm on areas that are permitted for clearing under the existing regulations (Jong 2015; Saturi 2015). These statements strongly contrasted with the statement made by the representative of the National Investment Board (NIB) that delivered a remark during the inauguration of the IPOP management. The NIB representative stated that IPOP could promote a palm oil business model that put emphasis on increasing productivity rather than opening up new areas (Wicaksono 2015).

In October 2015, the GoI and the Government of Malaysia initiated the establishment of the Council of Palm Oil Producer Countries (CPOPC). The (then) Coordinating Minister of Maritime and Resource Affairs stated that this council would replace IPOP as IPOP was deemed as an infringement to the government authority. The Minister of Environment and Forestry also stated that the MoEF was reviewing all IPOP clauses that were too restrictive for Indonesian smallholders. At the same time, the

representative of the Worldwide Fund for Nature (WWF) Indonesia viewed the GoI reaction as trying to eliminate obstacles to increase of palm oil production and areas. Similarly, the representative of SPKS also criticize the GoI for failing to empower smallholders (Gokkon 2015).

However, when some reports showed that companies that do have a legal status, were not allowed to sell their FFB to IPOP members (under the rules and regime of the IPOP), resistance against the IPOP increased. This resistance intensified when the Indonesian Association of Oil Palm Smallholders (*Asosiasi Petani Kelapa Sawit Indonesia - Apkasindo*) also raised concerns (Listiyarini 2015; Hidayat 2016). The MoA reiterated that the GoI, through the MoEF as the authority on environmental matters, would disband IPOP. The other issue that was used by the government against IPOP was related to laws to prevent monopoly of business. Allegedly, IPOP was to create a cartel, which is forbidden according to Indonesian Law 5 of 1999 on the Prohibition of monopoly and unhealthy business competition practices (Hidayat 2016). In spite of this, officials of the MoA were aware that it would be difficult to disband IPOP as its establishment was 'endorsed' by the ex-President (Laoli 2016a).

3.4 Termination of IPOP

The IPOP management office claimed to have consulted with the Commission for the Supervision of Business Competition (CBCS). In October 2015, in its response to the IPOP, CBCS understood that IPOP was an agreement among private sector actors in the palm oil industry to implement the sustainable production of palm oil, and to improve the competitiveness of Indonesian palm oil in the global market. CBCS also notices that IPOP members enjoyed considerable economic or market power. At the same time, the CBCS stressed that Indonesia already has ISPO as mandatory sustainability standard. CBCS was aware that there is a significant difference between ISPO and IPOP, and that the introduction of the HCS concept was not in line with ISPO. CBCS also consulted with the MoA and the Coordinating Ministry of Economic Affairs, and mentioned that IPOP can be seen a business-to-business initiative as long as it does not violate the regulation. However, CBCS (2015) also mentioned that IPOP was difficult to implement as some of the pledges were not in line with the existing regulation.

The position of the CBCS was not made public, until it finally emerged in April 2016 as a press release on the CBCS website (CBCS 2016). The additional point that was raised by the CBCS was that IPOP could become a barrier to entry to be used by IPOP members against other actors. The GoI found that this could be used as the basis to disband IPOP (Laoli 2016b). At this point, the IPOP management challenged the CBCS opinion and requested a more intensive dialogue. IPOP also claimed to have implemented the recommendations of the CBCS in its October 2015 letter (Laoli 2016c).

While the CBCS was still investigating if IPOP was a cartel, the head of the office stated that each of these companies would receive hefty penalties if they were proven to violate the Law 5 of 1999. The penalties was around IDR 125 billion (approximately USD 9.6 million). The CBCS had also sent the letter to the President and other relevant government agencies recommending that IPOP should be disbanded (Jati 2016). On June 30, 2016, IPOP was officially dissolved (IPOP 2016).

4. Discussion

Using the framework of the TBGI of Eberlein et al (2014), the rise and fall of IPOP provides a number of interesting observations. We highlight some of them and discuss what they mean in terms of CSR.

4.1 Interactions between different institutional actors in the palm oil industry

The interaction at the micro (actor) level shows that prior to the signing of IPOP, the companies acted individually in developing a corporate sustainability policy. This development was mainly a result of

intensive collaboration between each of these companies and several NGOs (e.g. Johnson 2015). When these companies joined forces to sign IPOPOP with the facilitation of the ICC, the ICC took the lead in the engagement of the cause with the other stakeholders, mainly with the relevant agencies within the GoI. After the IPOPOP management was established, the IPOPOP management was at the forefront in representing the interest of IPOPOP in negotiating the program with the GoI as well as in the stakeholder engagements. Most of the media coverage highlighted the contract between what IPOPOP has been promoted and the GoI position on the case.

It is interesting to highlight the position of the GoI as the IPOPOP developed. Prior to the signing, the GoI generally had two positions. First, Indonesia has ISPO as the mandatory standard for sustainable palm oil. Two, RSPO is seen as voluntary, and is accepted to co-exist as long as it does not interfere with the ISPO. This position remained the same even after these companies signed the New York pledge. However, the GoI started to clearly say its disagreement and challenge to IPOPOP after IPOPOP established a management office in August 2015 and started its programs. Individual companies may have market power, but when these companies that collectively control a significant portion of the market joined forces, the GoI started to see IPOPOP as posing the risk to the actors that the GoI protects mostly, that is the smallholders. The GoI put forward several arguments to halt the implementation of IPOPOP.

4.2 Interactions at meso-level between different regulatory systems in the palm oil sector

At the meso level, the tension between RSPO as the global voluntary sustainable palm oil standard and ISPO as the mandatory standard for Indonesia has been there since ISPO was established in 2011 (Hospes 2014). A joint study on ISPO and RSPO found that both standards have different views on two key issues (Ministry of Agriculture and RSPO Secretariat). In the beginning, the main argument of the GoI was that Indonesia has an official standard (ISPO) and there is no need to have IPOPOP. As the IPOPOP engagement intensifies, the other arguments that came about were: 1) IPOPOP oversteps the GoI authority; 2) IPOPOP comes as the pressure from the western world; 3) IPOPOP can put Indonesia's sovereignty in danger; 4) IPOPOP can have adverse impact on smallholders.

4.3 Interactions at macro-level: palm oil sector and the Indonesian economy

The critical interactions that finally ended the life of IPOPOP were staged by the CBCS findings that IPOPOP could harm the business environment by potentially creating cartel has turned the direction of ISPO toward its dissolution. Although IPOPOP has been persuading the GoI that the pledge would aim for greater good and would not harm the Indonesian economy, the potential collusion and some of the early impacts of the pledge have intensified the GoI plan to disband IPOPOP. Adding this pressure with the considerable amount of penalties that could be imposed to each of the IPOPOP had they been found violating the antimonopoly law, IPOPOP has finally been dissolved. At the time of writing (September 2016), it has not been clear whether CBCS has decided that IPOPOP members should pay the penalties.

5. Conclusion

In a complex and plural legal order, launching and implementing CSR in the form of new rules of the game for contributing to sustainable business and development, is a very difficult undertaking. Joining forces is not a guarantee for sustainability achievement (cf. Kiron et al. 2015): without government buy-in, collective action of big companies to organize CSR can easily fail. The increasing resistance of the GoI to the IPOPOP after it established a management office, highlighted that the group, especially with its significant economic power, could pose the government at risk of losing control.

The rise and demise of IPOP shows that good intentions and higher sustainability standards of private companies are not necessarily well accepted by public authorities. On the contrary, corporate collective action and high sustainability standards may be considered a threat to public authorities, when these authorities perceive the standards as influenced by foreign powers and not beneficial for smallholders.

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