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The Palm Oil Controversy in Southeast Asia

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The Palm Oil Controversy in Southeast Asia

A Transnational Perspective

edited by
Oliver Pye & Jayati Bhattacharya



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FOREWORD

This collection of papers on the “palm oil controversy” focuses on one crop and on one specific region, but the issues discussed in this book relate to a global controversy that has come to be known — and to be criticized — as land grabbing. In the initial surge of reports and studies on contemporary land grabbing there is a dominant assumption that the phenomenon has occurred because of the 2007–8 food crisis, which in turn was largely caused by the emerging global biofuels complex (White and Dasgupta 2010; Franco et al. 2010).¹ The changes in the global agro-food system made some financially powerful countries (primarily China, South Korea, the Gulf States) that could not produce sufficient food domestically feel insecure. They started to seek control over large tracts of land overseas to secure food supply. The principal target is Africa, where vast empty lands are thought to be available, cheaply. It is generally assumed that 70 per cent of all land that was grabbed is in Africa. (Inter)national public policymaking aimed at addressing some of the serious concerns in the current land rush (expulsion of peasants from their land, corrupt land deals, and so on) has been under way and is politically contested.

These assumptions have been increasingly challenged. Visser and Spoor (2011) identify the former Soviet Eurasia, and Borras and Franco (2011) Southeast Asia as important regional sites of land grabs too. Levien (2011) raises the issue of domestic land grabs, Amanor (2012) on the role of transnational corporations and global commodity chains, Hall (2011) on pre-existing crop boom-bust cycles, McMichael (2012) on the location of land grabs in the restructuring of the global food regime, Mehta, Veldwisch and Franco (2012) on the water dimension of land grabbing, Hofman and Ho (2012) on a better

view of Chinese land grabbers, Li (2011) on centring labour in the debate, De Schutter on the right to food dimension, and Fairhead, Leach and Scoones (2012) on “green grabbing” — land grabbing in the name of the environment. Peluso and Lund (2011) offer fresh analytical insights on new frontiers of land control more generally, while Cotula (2012) offers a useful comprehensive overview on key issues in current land grabs. In short, the current trajectory of scholarly thinking is to broaden the parameters of empirical and theoretical inquiry into land grabs. The emerging common thread is that there is a need to embed land grabs within our analysis of contemporary global capitalist development, in the specific context of the convergence of multiple crises: food, energy, climate change and finance capital.

Yet, to date, there remains no consensus on the definition of land grabbing. Some define it too broadly to include all land deals that lead to transfer of control over land resources to corporate elites. Others define it too narrowly to include only land deals that involve foreign companies and expel people from their land. However, the problem in defining it too narrowly is that we miss a significant dimension of the current land-grabbing process, including the role of central states and domestic capital. The problem in defining it too broadly is that we lose sight of the distinct characteristic of contemporary land grabbing.

In order to avoid the problems cited above, Borras et al. (2012) offer the idea of three *key interlinked defining features of contemporary land grabbing*. First, a fundamental starting point is to clarify that land grabbing is essentially *control grabbing*: grabbing the power to control land and other associated resources such as water in order to derive benefit from such control of resources. Land grabbing in this context is often linked to a *shift in the meaning or use* of land and associated resources as the new uses are largely determined by the accumulation imperatives of capital that has now the control over a key factor of production, land. “Extraction” or “alienation” of resources for external purposes (national or international) is often the character taken by land grabs (Wolford 2010). Control grabbing is inherently relational and political; it involves political power relations. Control grabbing manifests in a number of ways, including, “land grabs” (capture of vast tracts of lands), “(virtual) water grabs” (capture of water resources — see Woodhouse 2012; Mehta, Veldwisch and Franco 2012), and “green grabs” (resource grabs in the name of the environment — see Fairhead, Leach and Scoones 2012). This perspective addresses the problem of a “too land-centred perspective” in the current land-grab thinking. Seen from the perspective of *control grabbing*, land grab does not always require expulsion of peasants from their lands.

Second, a study of current land grabbing requires consideration of *scale and character of land grabs*. But scale and character of land grabs should

not only be about the *scale and character of land acquisitions*, often within the dominant view that defines “large-scale land acquisition” as those that pass the 1,000 hectare benchmark. For us, land grabbing entails large-scale transactions in two broadly distinct but interlinked dimensions: *scale and character of land acquisitions* and/or *scale and character of capital* involved. This framework necessarily considers various forms of acquiring control: purchase, lease, contract farming, forest conservation, and so on. In other words, taking the scale and character of capital as the unit of analysis necessarily includes land as central in the operation of capital, while a “too land-centred” view (scale and character of land acquisitions *only*) on land grabs tends to miss or de-emphasize in its analysis the underlying broader logic and operation of capital. This framework brings capital back into our unit of analysis, casting an interrogating gaze at what has emerged to be a flurry of “land measurement-oriented accounting” of land grabs.

Third, and finally, the first two features are more or less the same defining features of land grabs that happened worldwide, historically. What is distinct in the current land grabs is that these occur primarily because, and within the dynamics, of capital accumulation strategies largely *in response to* the convergence of multiple crises: food, energy/fuel, climate change, financial crisis (where finance capital started to look for new and safer investment opportunities), as well as the emerging needs for resources by newer hubs of global capital, especially the BRICS (Brazil, Russia, India, China and South Africa) and some powerful middle-income countries. The key contexts of land grabbing arise from this: food security, energy/fuel security, climate change mitigation strategies, and demands for natural resources by new centres of capital. One offshoot of this recent development is the emergence of “flex crops”: crops that have multiple uses (food, feed, fuel, industrial material) that can be easily and flexibly interchanged: soya (feed, food, biodiesel), sugarcane (food, ethanol), oil palm (food, biodiesel, commercial/industrial uses), corn (food, feed, ethanol). It has resolved one difficult challenge in agriculture: diversified product portfolio to avoid devastating price shocks, but is not easy to achieve because of the cost it entails. With the emergence of relevant markets (or speculation of such) and the development and availability of technology (e.g., flexible mills) that enables maximization of multiple and flexible uses of these crops, diversification has been achieved — within a single crop sector. When sugarcane prices are high, sell sugarcane; when ethanol prices are high, sell ethanol. When the actual market for biodiesel is not there yet, sell palm oil for cooking oil, while waiting (or speculating) for a more lucrative biodiesel market to emerge (a feature not present in *jatropha*). The emergence of flex crops is a logical outcome of the convergence of multiple crises. Hence, in a single crop sector we find multiple mechanisms of land

grabs: food, energy/fuel, and climate change mitigation strategies. It is these broader interlinked contexts that largely differentiate current land grabs from the ones that existed before.

In short, contemporary land grabbing is the capturing of control of relatively vast tracts of land and other natural resources through a variety of mechanisms and forms that involve large-scale capital that often shifts resource-use orientation into an extractive character, whether for international or domestic purposes, as capital's response to the convergence of food, energy and financial crises, climate change mitigation imperatives, and demands for resources from newer hubs of global capital.

The sector of oil palm, which is significantly concentrated in Southeast Asia — and is the overarching theme of the fascinating collection edited by Oliver Pye and Jayati Bhattacharya — is an iconic illustration of the context for and imperatives of global land grabbing and its trajectories. The current oil palm boom is a direct result of the changed global context discussed above, and illustrates what a flex crop is. It also shows the implications of flex crops for the complicated terrain of policy advocacy by social movements and civil society: it is not always easy to establish direct links between the rise of global biofuels complex and the expansion of oil palm. More generally, Southeast Asia also shows a more complex and wider range of global land grabbing than what the dominant albeit Africa-focused literature would show (see Borras and Franco 2012). In this context, the current collection is a must read for academic researchers and social movement activists who want to understand deeper the context, condition and trajectories of global land grabbing.

Meanwhile, the impact of land grabbing is highly differentiated within and between countries across social class, gender, ethnicity and other social fault-lines. There are winners and losers, depending on the character of pre-existing agrarian structures and institutions as well as the pattern of capital accumulation. There are two broad types of outcomes on local communities. As Tania Li (2011) explains, where the land is needed but not the labour, capital is likely to expel people from the land. But it is not always the case. There are occasions where capital needs the land and the cheap labour. In these situations, people retain their (formal) control over their lands and are incorporated into the emerging plantations enclaves. The notion of “adverse incorporation” (Du Toit 2004) becomes a relevant one. Again, this current collection that revolves around the issue of oil palm shows more highly differentiated impacts on local communities than what is generally assumed in the dominant discourse.

Differentiated impacts provoke differentiated political reactions from below, mirroring the two broad types of consequences described above. Land-oriented struggles — resisting land grabbing, struggling to reclaim grabbed

lands — are dominant features in situations where peoples have been expelled or are threatened to be expelled. Reformist struggles to improve the terms of incorporation — whether around the terms of contract farming or labour standards in plantations — are dominant features in settings where people have been included in the capitalist ventures. Both are important fronts of struggle, and where linked together can develop mutually reinforcing synergies. Engaged research is a key component of any effective policy advocacy and collective action by rural social movements and civil society groups around the issue of land grabbing. While non-governmental organizations and media reports are useful and have been at the forefront of field reporting on contemporary land grabbing, biofuel expansion and local resistance, academic research and publications can also help deepen activists' understanding and extend the reach of their political actions. Meanwhile, activists' work can help infuse a sense of political relevance and urgency into academic research to make it more socially relevant. Ultimately, as Marx said, the point is to change the world. It is in this context that the current collection is unique and becomes a must read for everyone interested in understanding global land grabbing, the rise of flex crops and its implications, as well as political reactions from below.

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Note

1. This Foreword draws heavily from the Borras et al. (2012) paper published in the *Journal of Peasant Studies (JPS)*. The author took the lead in drafting that section of the *JPS* article from which much of the current Foreword draws. I thank my co-authors, *JPS* and Routledge for allowing me to use some of the text from that piece.

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PREFACE

This book is a compilation of papers first presented at the workshop “The Palm Oil Controversy in Transnational Perspective” that took place in Singapore, 2–4 March 2009. The workshop was jointly organized by the Institute of Oriental and Asian Studies, Rheinische Friedrich-Wilhelms-Universität, Bonn and the Institute of Southeast Asian Studies (ISEAS), Singapore. It was funded by the Asia-Europe Foundation (ASEF).

Because of the Asia-Europe focus of the workshop and the stipulations by the funding organization, the book is special in that it features a broad range of writers from Asian and European countries. Another interesting aspect of the book is that it brings together academics and practitioners from the field. Indeed, a large number of the authors are key personalities within the controversy discussed in this book and they also play a role in trying to resolve some of the most pressing issues. However, at the workshop the practitioners were asked to think beyond the everyday issues in which they are embroiled and reflect on bigger issues and the broader context. Conversely, the academics invited to the workshop were “forced” to engage with real issues and to test some of their theoretical abstractions against the vast and detailed empirical knowledge of the practitioners. The result was a very interesting three days of discussions which we hope is reflected in this publication.

The book discusses the controversy around palm oil, that is itself made up of a whole range of complex controversies that could each be the subject of separate publications. This necessarily means that the collection of articles here cannot offer a comprehensive discussion of the subject and that it leaves many gaps. For example, although some of the practitioners play an active

role within the Roundtable on Sustainable Palm Oil (RSPO), this institution is not itself the subject of any of the papers. Also, not many representatives from industry accepted the invitation to present at the workshop, although quite a few attended and participated in the discussion. Finally, the book only begins to develop systematic transnational enquiries of the palm oil industry, leaving many areas to be covered by future research. Nevertheless, we think that it offers a rather unique selection of papers by practitioners and academics that discuss important aspects of the palm oil controversy. We hope that it will contribute to a better understanding of the issues and to potential solutions.

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ABBREVIATIONS

ABERDI	A. Brown Energy and Resources Development, Inc.
AMAN	Aliansi Masyarakat Adat Nusantara (Alliance of Indigenous Peoples of the Archipelago/Indonesia)
APO	Asian Productivity Organisation
ARB	agrarian reform beneficiaries
ARMM	Autonomous Region of Muslim Mindanao
ASA	Advertising Standards Authority (United Kingdom)
ASEAN	Association of Southeast Asian Nations
BIMP-EAGA	Brunei-Indonesia-Malaysia-Philippines–East ASEAN Growth Area
CADC	certificate of ancestral domain
CERD	UN Committee on the Elimination of Racial Discrimination
CLOA	certificate of land ownership
COFCO	China National Cereals, Oils & Foodstuffs Corp.
CPO	crude palm oil
CSPO	certified sustainable palm oil
DAR	Department of Agrarian Reform (Philippines)
DG ENV	European Commission’s Directorate-General for Environment
DG TREN	European Commission’s Directorate-General for Energy and Transport
EIA	environmental impact assessment
FCI	WWF Forest Conservation Initiative
FFB	fresh fruit bunches

FoE	Friends of the Earth
FPIC	free, prior, and informed consent
FSC	Forest Stewardship Council
GAPKI	Indonesian Oil Palm Growers Association
GHG	greenhouse gas
H&C	Harrisons & Crosfield
HCV	high conservation value
HME	Harrisons Malaysian Estates
HMPB	Harrisons Malaysian Plantations Berhad
IFC	International Finance Corporation
ILO	International Labour Organisation
ILUL	indirect land-use changes
INGO	international non-governmental organization
IP	indigenous peoples
ISEAS	Institute of Southeast Asian Studies
IUCN	International Union for Conservation of Nature
KGB	Kumpulan Guthrie Berhad
KKPA	Kredit kepada Koperasi Primer untuk Anggotanya (Credit to Primary Cooperative for its Members)
KUD	Koperasi Unit Desa (Village Unit Cooperative)
LBP	Land Bank of the Philippines
LGU	local government unit
M&As	mergers and acquisitions
MEDCo	Mindanao Economic Development Council
MNLF	Moro National Liberation Front
MPOA	Malaysian Palm Oil Association
MPOB	Malaysian Palm Oil Board
MPOC	Malaysian Palm Oil Council
NARCICO	Nabunturan Agrarian Reform Community Integrated Cooperative
NBPOL	New Britain Palm Oil Limited
NEP	National Economic Policy (Malaysia)
NGO	non-governmental organization
NGPI	National Development Corporation – Guthrie Plantations, Inc.
NREAP	National Renewable Energy Action Plan
NUPW	National Union of Plantation Workers (Malaysia)
P&C	sustainable palm oil principles and criteria
PIR	perusahaan inti rakyat
PIR-BUN	perusahaan inti rakyat perkebunan

PIR-KKPA	perusahaan inti rakyat Kredit kepada Koperasi Primer untuk Anggotanya
PIR-TRANS	perusahaan inti rakyat transmigrasi
PKO	palm kernel oil
PNB	Permodalan Nasional Berhad
POME	palm oil mill effluent
PORIM	Palm Oil Research Institute of Malaysia
PPBOP	PPB Oil Palm Berhad
PPDCI	Philippine Palm Oil Development Council Inc.
PTPN	PT Perkebunan Nusantara
PTPNV	PT Perkebunan Nusantara V
RED	European Union's Renewable Energy Directive
REDD	reducing emissions from deforestation and forest degradation
RELA	People's Volunteer Corps (Malaysia)
RETRAC	Resource Trade Cycle
RSPO	Roundtable on Sustainable Palm Oil
SPDA	Southern Philippines Development Authority
SPKS	Serikat Petani Kepala Sawit
SRT	self-reliance team
TAN	transnational advocacy network
TAP	Triputra Agro Persada
TNC	transnational corporations
TP3K	Tim Pembina dan Pengembangan Perkebunan Kabupaten
TQEMS	Total Quality and Environment Management System
TSMO	transnational social movement organization
UMNO	United Malays National Organisation
UPB	United Plantations Berhad
UPKO	United Pasokmomogun Kadazandusun Murut Organisation
WALHI	Wahana Lingkungan Hidup Indonesia
WRM	World Rainforest Movement
WTO	World Trade Organization