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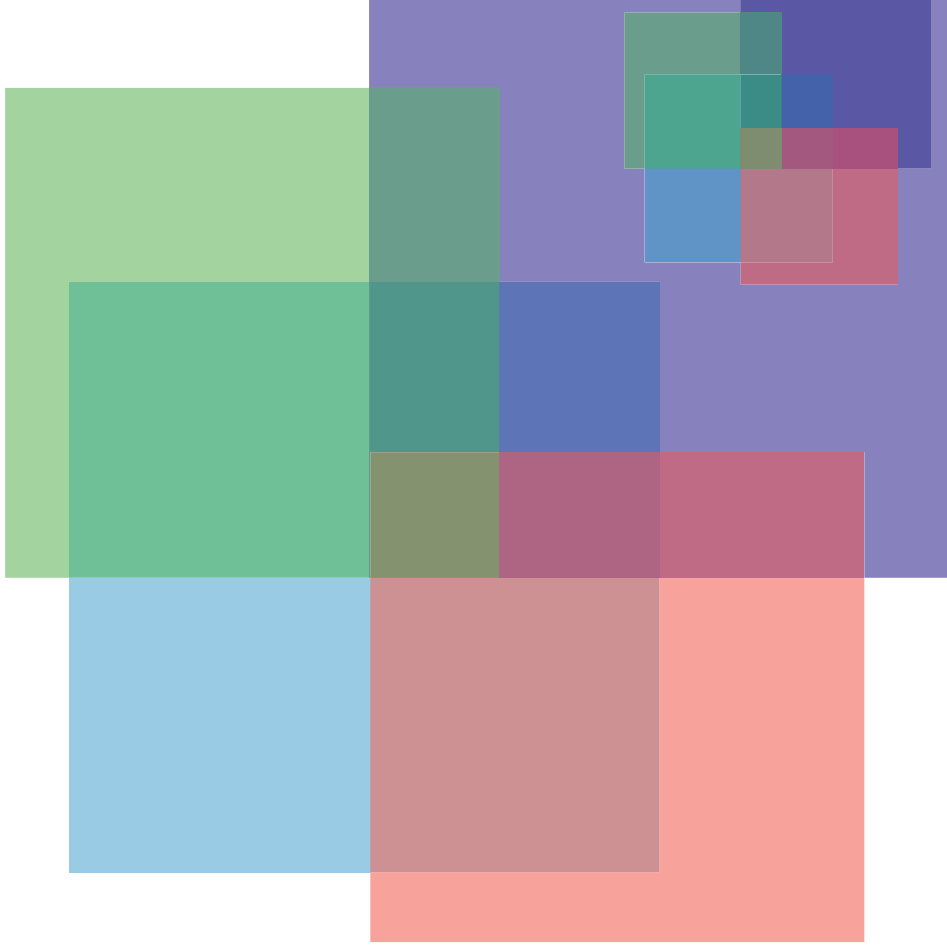
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## CHAPTER 2

# The social and environmental impacts of palm oil sourcing: a human rights concern

*Gildete de Araujo Lima\**

## **Introduction**

Globalisation and technological advances facilitate the flow of goods and services between countries in all continents, fostering trade without borders. However, the continuous consumption/production appetite of developed nations coupled with the increasing purchasing power of emerging countries has made the demand for commodities soar in such a way that it is putting a growing and unsustainable pressure on the world's natural and social resources. Certain productive chains have been more affected than others, implying an augmentation of risks and impacts associated to it. This is the case of one particular raw material, the palm oil (including the PKO — Palm Kernel Oil), which demand is only expected to rise in the coming years.

Palm oil is the most traded vegetable oil in the world, accounting for 33.6% of global production,<sup>1</sup> becoming, in 2012, the fourth most traded agricultural commodity in monetary terms at over U\$35.5 billion (Peñaranda *et al.*, 2015). Its versatility is highly appealing to the market, with a variety of sectors able to benefit

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<sup>1</sup> 2013 data (Peñaranda *et al.*, 2015).

from it covering the food, toiletries, cosmetics and biofuel industries. Global palm oil consumption has increased fivefold since 1990, and as its use grows so do the environmental and social problems related to it. This reality must be understood in order to promote human dignity and sound environmental practices throughout its productive chain.

The palm oil segment is a good example of how the outcomes of globalisation forces generate equally global concerns, and how the Global North's interests historically prevail over a weakened South. The Global North concept should be amplified, which means extrapolating the geographical narrative, as not only external and wealthy nations exert pressure, but also local powers that act in ways to disenfranchise their own countrymen. As Santos (2006) points out, the central characteristic of globalisation is that the interests and ideologies of hegemonic groups clash with those of counter-hegemonic or subordinate social groups on a world scale (Santos, 2006). This chapter brings to the surface market facts that indicate the supremacy of the world market demand, supported by local businesses and governments, which incur a high cost for the minorities who need to make their living by subjecting themselves to players they have absolutely no voice or power against.

The main goal of this work is to explore the controversy behind the palm oil industry by pointing out the pressure this trade imposes over environmental and social resources. The first part of the article establishes important facts about the overall market, which helps explaining its relevance; then it highlights the human rights violations as well as the impacts on the environment that, in turn, end up generating social adversities. The article goes on by addressing the so-called sustainable sourcing and asks if this is indeed a possibility, and finally it questions the surge of certifications, most especially the *Roundtable on Sustainable Palm Oil — RSPO* and its efficacy in promoting a sound business model.

## 1 Relevant facts about the palm oil industry

To briefly explain how the crop was introduced in the main producer areas, we should mention that the Dutch and English first established plantations in Indonesia and Malaysia during the late nineteenth and early twentieth century. This oil was initially used in candle-making and as an industrial lubricant, but demand increased drastically from the 1950s as the market got to know it better and expanded its use to several other industries (Schoeman, 2015).

At present, palm oil related problems have been at stake in countless business and human rights discussion forums, while a large part of the world population is asking itself what's with this palm tree that it is so important and creates so much buzz. The fact is that this ingredient — either palm oil or palm kernel oil — is present in roughly 50% of what people consume on a daily basis as it is in their chocolate, margarine, cookies, pizza dough, noodles, ice-cream, bread, shampoo, soap, detergent, lipstick, cooking oil, biodiesel and so on (Paddison *et al.*, 2014). It might not be seen on the labels, as it is often 'hidden' behind synonyms or is a component of another described raw material, but it is most certainly there.<sup>2</sup>

One of the things that make palm oil so alluring is the fact that it is a very productive crop compared with similar ones in that it produces more oil per hectare than any other substitute. One reason is because it can be extracted from both the fruit's pulp/flesh and the kernel. Indeed, experts say that coconuts produce nearly half as much oil per acre, while canola and soybeans produce only a tenth (Datamonitor, 2010). The *Roundtable Sustainable Palm*

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<sup>2</sup> The ingredients that are most often composed of palm oil or contain it in their formulation are: Vegetable Oil, Vegetable Fat, Palm Kernel, Palm Kernel Oil, Palm Fruit Oil, Palmate, Palmitate, Palmolein, Glyceryl Stearate, Stearic Acid, *Elaeis Guineensis*, Palmitic Acid, Palm Stearine, Palmitoyl Oxostearamide, Palmitoyl Tetrapeptide-3, Sodium Laureth Sulfate, Sodium Lauryl Sulfate, Sodium Kernelate, Sodium Palm Kernelate, Sodium Lauryl Lactylate/Sulphate, Hydrated Palm Glycerides, Ethyl Palmitate, Octyl Palmitate, Palmityl Alcohol (WWF, n.d.).

*Oil-RSPO* reinforces this by stating that oil palm tree needs less than half the land required by other crops to produce the same amount of oil. The same Datamonitor (2010) study also affirms that palm oil is comparatively cheap to produce — it has been called “the world’s cheapest vegetable fat” (2010: 4–5) — which is seen as a ‘promising’ crop to feed the growing world population. This can, indeed, be an important fact to take into consideration given the considerable challenges in providing food security for an expanding global population (Datamonitor, 2010).

Additionally, there is an increasing demand for biofuel as renewable sources of energy have gained special importance, with many governments seeing it as a way to meet their climate change targets as well as to provide security for energy supplies. Hence, palm oil has become an alternative for hydrocarbon fuels too (Datamonitor, 2010).

Palm oil also excels for its cooking characteristics because it maintains its properties even under high temperatures. In addition, its special texture and absence of smell make it a perfect ingredient for several products since it also has natural preservative effects, extending the shelf life of products (RSPO, n.d.).

In 2013, 59.6 m metric tons of palm oil were produced (Paddison *et al.*, 2014). Indonesia and Malaysia accounted for 84.8% of the global production and 87.3% of the world exports (Peñaranda *et al.*, 2015). Indonesia stands out as the largest producer, bringing 33.5 m metric tons to the market annually, while Malaysia ranks in second place with 20.35 m metric tons. The list goes on with Thailand, Colombia, Nigeria and other minor producers (Paddison *et al.*, 2014) which are also located in the humid tropical zones of the planet where this palm tree flourishes. Global production has doubled in the last decade and is supposed to double again by 2020 (Paddison *et al.*, 2014). It is expected to triple by 2050 (Peñaranda *et al.*, 2015), mostly driven by the expansion of emerging markets and their increasing commodity demand (Paddison *et al.*, 2014).

In Indonesia alone, palm oil areas expanded nearly 100-fold between 1961 and 2013 to meet the business pressure (Peñaranda *et al.*, 2015). The largest palm oil consumers nowadays are India, China and European Union, followed by Pakistan, United States, Bangladesh, Egypt and the rest of the world.

In spite of the efforts of certain market sectors to promote sustainable palm oil plantation and trade, only 5.4 m metric tons of a total production of 59.6 m metric tons were sold as certified sustainable palm oil, based on data from 2014 (Paddison *et al.*, 2014).

## **2 Social and environmental impacts of palm oil production**

Statistics state that the palm oil industry has provided a large number of jobs and led to economic growth in the two major producing countries, Indonesia and Malaysia. Government authorities in these nations claim that cultivating palm oil has also helped to alleviate poverty and foster rural development, reasons that led them to provide considerable support for the industry (Oosterveer, 2015). However, palm oil production and consumption have become highly controversial as they leave a conspicuous social and environmental footprint, as explained below.

Because of the immense and growing demand as well as plantation expansion in Southeast Asia, the deforestation rate in that area has also increased in an alarming way. The actual numbers vary, but the World Resources Institute estimates that Indonesia alone has lost 6 m hectares of primary forest<sup>3</sup> — an area half the size of England — from 2000 to 2012. This results in higher GHG (greenhouse gas) emission as clearing the forest releases a high level of carbon dioxide and methane which directly contributes to global warming (Paddison *et al.*, 2014). Burning is the most common

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<sup>3</sup> “Palm oil is reportedly the most significant cause of rainforest loss in Indonesia and Malaysia” (Datamonitor, 2010: 6).

method of clearing forests and this releases an enormous amount of carbon. Indonesia was ranked the third largest carbon emitter in 2012 due to this practice and this massive release of carbon dioxide makes the palm oil industry one of the world's major contributors to global climate change. Forest burning also causes other harmful environmental effects: the more the rainforest is destroyed, the drier and more susceptible these lands become to fires, landslides and flooding (Schoeman, 2015). Needless to say, these environmental concerns link directly to social consequences as well.

The expansion of palm oil plantation has also been causing habitat and biodiversity loss in the region, putting certain species at high risk of extinction. The orangutan became the most emblematic case and some sources, such as Friends of the Earth, say that the orangutan could be extinct within 12 years if rainforest destruction continues at the current rate. But the extinction threats go beyond orangutans. In Sumatra and Borneo, palm oil proliferation also threatens elephants, tigers and rhinos (Datamonitor, 2010).

The palm oil sector is also a major cause of water pollution in Southeast Asia and there is a high potential for damage to the local water ecosystem. Oil palm effluents are heavy on fertilizers which cause aquatic contamination when discharged, so the industry is directly associated with impacts on water availability and quality. Local communities have been reporting that drinking water has indeed become a public health hazard due to oil palm-related expansion (Peñaranda *et al.*, 2015). Additional environmental concerns are also involved, since local communities have been complaining about the decline in air quality caused by activities on plantations, such as the forest clearance and soil erosion, especially at early stages of the tree growth, before the palm canopy is established. In some cases, eroded soil can even contaminate water sources. The soil is more deteriorated than that used by other agriculture and vegetation, causing land infertility — mostly derived from the substantial use of fertilisers, which are required since “local soils



are fertile for local crops, but not fertile enough for oil palm” (2015: 28). The destruction of other (and more suitable) land crops not only causes environmental effects but also has social consequences as it directly affects the livelihood of many local small farmers who depended on such crops (Paddison *et al.*, 2014).

All that has been said so far is actually a good lead-in to the discussion of other direct social impacts, considering entire communities have been eliminated and displaced throughout Indonesia and Malaysia to provide space for plantations. Large producers are able to buy land concessions over which local indigenous groups have no power whatsoever to gain legal ownership (Schoeman, 2015).

Although the Malaysian courts have recognized these peoples’ rights to their lands, the Malaysian government has been reluctant, even bordering on hostile, to enforcing these decisions and recognizing such customary rights [...] Indigenous communities continue to lose their lands as governments grant palm oil companies concessions both in Indonesia and Malaysia, but the human rights violations also extend to even more serious abuses, as communities have been forcibly removed or coerced into giving up land. (Schoeman, 2015: 1094–1095)

That being said, it clearly indicates that the expansion of large-scale plantations to the detriment of indigenous communities has been fostering persistent conflicts between local communities and producers over land ownership, fostering land scarcity, rising land prices, and the steady marginalisation of smallholders (Oosterveer *at al.*, 2015).

Working conditions at the plantations are also very critical. The system relies heavily on immigrant labour — mainly from nearby areas — either because some locals refuse to subject themselves to the job or because there are not enough of them to meet the demand. Abuses often start in the workers’ home towns, where they are recruited through agent networks that charge workers for getting them a job. Some fees have to be paid before laborers arrive

at the plantations, so they accumulate debts even before they start working (Villadiego, 2015). Human rights violations go beyond as the hiring process can also involve labor trafficking, debt bondage and unfair payments. Some workers are hired by the day without any kind of contract, which heightens risks for them and impunity for the employers. Many immigrant workers are undocumented and tied to a specific employer, making it impossible for them to look for better opportunities elsewhere. Children born to these undocumented workers are considered 'stateless children' because they cannot prove their nationality. As a result, they cannot access government services such as health and education. It is estimated that there are around 60,000 stateless children in the Malaysian state of Sabah alone. Child labour has also been reported in this sector in Malaysian and Indonesian regions, mainly due to the high harvesting quotas plantations impose on these children's parents (Villadiego, 2015). Health impacts associated with specific working conditions, without appropriate health care, are also reported in some areas, such as the handling of dangerous chemicals, heavy workloads and work-related injuries (Peñaranda *et al.*, 2015).

This is a grave statement on the palm oil workers' situation, who remain unprotected as local labour laws are weak and human rights protection does not seem to be at the top of government agendas. It is important to highlight, though, that the exploitation of workers is not exclusive to the palm oil sector. Other commodities, such as sugar, rubber, and other crops also rely on a vulnerable workforce (Villadiego, 2015) that has no other option but to submit to exploitive conditions.

### **3 Sourcing and Production. Can these processes be sustainable?**

Schneider and Wallenburg (2012:243) state that organisations are as sustainable as their upstream supply chain, meaning that

companies that aim to embrace corporate responsibility/sustainability practices must involve their suppliers and establish environmental and social standards for their performance. Much of this concept falls into the implementation of sustainable sourcing — any operation related to purchasing/procurement and the overall supplier interface — with the prospect of relationship development and performance evaluation being based on socially and environmentally sound production practices. More simply put, it can also be understood as “managing all aspects of the upstream component of the supply chain to maximize triple bottom line performance” (Schneider and Wallenburg, 2012:244), although no specific definition has ever been coined for the term *sustainable sourcing*.

Global supply chain networks are often complex and involve multiple scales, locations and actors, which *per se* significantly amplifies the lack of transparency, hence control. Issues can also be perceived in monopoly and oligopoly scenarios, as the more exclusive a stakeholder is, the more power it has in its hands, thus the harder it is for other parties to exert any influence on it. The oil palm value chain can involve either the vast web of players and locations or the exclusiveness of certain actors. Although there is no monopoly controlling the sector, the production and initial processing of the oil is concentrated in a limited number of large companies. This is because fresh bunches of oil palm fruits need rapid processing after harvesting in order to maintain quality, so they are sent to mills that must be located close to plantations. This aspect encourages the concentration of mills in just a few hands, thereby transferring to them a great amount of power in the decision-making process for the sector (Oosterveer, 2015).

Some end-product companies claim to have their entire palm oil supply chain under responsible sourcing<sup>4</sup> already, but the question that remains is if the global insatiable appetite for products

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<sup>4</sup> Such as Roundtable Palm Oil (RSPO) certified.

will allow a truly sustainable productive chain. Meaning: can 59.6 m metric tons of palm oil be provided within the best practices? Furthermore, would swapping the crop be the solution, considering that the very same problems could be applied to the next (equally) highly demanded oil production? An easy answer should be avoided, but considering how the current business model operate, plus the fragility of certain CSR (Corporate Social Responsibility) initiatives, it can easily lead one to conjecture. Geibler asks a similar question and dares a straightforward answer: “Can palm oil value chain be sustainable? The answer might be ‘no’ when looking at the increasing market demand exceeding the supply of what could be deemed sustainable” (Geibler, 2013: 51). Contemporary society is putting too much pressure on the systems of production and, by extension, on natural and human resources, which encourages inferences like Geibler’s. The same author goes on by saying that “current production and consumption patterns remain unsustainable: global economic growth reaches planetary boundaries and puts increasing pressure on the natural resources” (2013: 39).

Ironically, palm oil has the potential to be a more environmentally friendly commodity than most other vegetable oils because — as already mentioned — it has a much higher yield and therefore requires less land for the same output (Schoeman, 2015). Additionally, it is a perennial crop, thus representing a steady source whereas other oilseed crops such as soybean and rapeseed, which are seasonal, do not (Oosterveer, 2015). However, despite this potential, the palm oil industry has been leaving behind a devastating footprint on both society and the environment (Schoeman, 2015), which is absolutely not sustainable in the long run.

As far as the alternative crops are concerned, Peñaranda states that “the expansion of other crops could be responsible for even more severe direct and indirect environmental and socio-economic impacts elsewhere” (Peñaranda *et al.*, 2015: 32). This is not difficult to understand in light of all the stated reasons of why

the oil palm tree has the characteristics and the potential to make vegetable oil production less impactful than any other source. It is, then, worrying to consider the future of this particular oil trade if substantial efforts are not deployed by key players. Peñaranda adds that “if palm oil sustainability is to be enhanced, then significant effort needs to be invested to solve the local socioeconomic issues that arise from oil palm expansion” (2015: 30).

Corporations are at different stages when it comes to responsible practices and their motivations to engage in them vary. Efforts to address unsustainable palm oil practices have both a proactive and reactive engagement with a few industry players, especially those with good sustainability credentials, at the forefront of the discussions and implemented actions while others are still lagging behind and limiting their steps to activities that would simply reverse or mitigate consumer backlash (Datamonitor, 2010). The take away from this is that while corporations still act reactively and not prompted by an inner impulse to commit themselves with a renewed business mindset, the situation is not likely to improve. Additionally, within complex global production systems, single value chain actors alone cannot manage key sustainability challenges effectively (Geibler, 2013).

While the International community has made an effort to switch to more sustainably produced palm oil, the absence of a legally binding international framework and weak national laws with low levels of enforcement and compliance have led to continued damaging practices. (Schoeman, 2015: 1086)

As it was already pointed out in this chapter, when the actors who have the main responsibility to protect human rights, that is governments, disregard people’s rights and show reluctance — even hostility — in recognising them, it means that little faith can be put in a system in which sourcing could be indeed sustainable, as the other actors may have even less interest or motivation in doing so.

## 4 Questioning Certification

Global voluntary agreements abound in the market and they have emerged as alternatives to an apparent state failure to enforce the law. These agreements normally have four key requirements: a voluntary basis, self-regulation among key participants, supplier involvement, and focus on a specific field (Ruysschaert and Salles, 2014). Initiated for water and forest products in the 1990s, such as the Forest Stewardship Council — FSC, these arrangements have expanded over the last ten years in various different areas, especially agricultural commodities, which include palm oil (*Roundtable on Sustainable Palm Oil — RSPO*), soy (*Roundtable on Responsible Soy — RTRS*), sugar cane (*Better Sugar Cane Initiative — Bonsucro*), cotton (*Better Cotton Initiative — BCI*), agro-fuels (*Roundtable on Sustainable Biomaterials — RSB*), aquaculture (*Aquaculture Stewardship Council — ASC*) and others (2014: 438–439). The main purpose of voluntary agreements like these is to change the behaviour of the stakeholders involved in a specific productive chain so that they can incorporate a number of good practices on a permanent basis (Ruysschaert and Salles, 2014).

Although such initiatives for global sustainability have emerged to provide solutions for the unsustainable use of resources in the global economy, actors developing standards and certification face the challenges of acquiring legitimacy and demonstrating the value of their standards (Geibler, 2013). As a matter of fact, their effectiveness is highly questionable in the light of a swollen market demand (Geibler, 2013).

Aiming to tackle the problem of flagrantly weak national regulations, a group of mostly private stakeholders came together in 2004 to create the so-called *Roundtable on Sustainable Palm Oil — RSPO*. The main goal of roundtables is to set standards that will directly contribute to make an entire commodity chain

more sustainable (Oosterveer, 2015). The World Wildlife Fund and Unilever,<sup>5</sup> the world's largest palm oil buyer, initially suggested the idea of a roundtable in 2001. The first conference was held in 2003, attended by more than 200 delegates from sixteen different countries. The RSPO was then officially established in 2004 (Schoeman, 2015) based on non-state actors' members and aspiring "to promote the growth and use of sustainable palm oil through co-operation within the supply chain and open dialogue with its stakeholders" (Geibler, 2013: 46). The RSPO attempts to mitigate the social and environmental problems linked to the palm oil chain, including the loss of biodiversity and the working conditions in its plantations (Geibler, 2013). Under the certification process, producers and end-companies must comply with a set of requirements that reflect the RSPO's Principles and Criteria (Schoeman, 2015).

Although the RSPO is considered successful in a few aspects and despite making some progress in improving sustainability performance of a sector that has been facing severe scrutiny of its current practices, its broader legitimacy has been questioned (Peñaranda *et al.*, 2015). Institutional weaknesses have prevented a transformative shift to a significantly more sustainable industry, which underscores the imperative need for government involvement to effectively address the externalities of palm oil (Schoeman, 2015). One of the most debated RSPO's weaknesses is the fact that it has traditionally been dominated by industry members — predominantly large companies — which tend to focus more robustly on the business side than on the environmental and social aspects (Schoeman, 2015). "Oil-palm interests [...] dominate the RSPO Executive Board, at least in numbers. As a result, the RSPO has a pro-industry bias and without reform, this threatens to compromise its broader

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<sup>5</sup> The company established the intention in its 2008 Sustainable Living Plan to start using (RSPO) certified sustainable palm oil in 2008 and have all palm oil certified by 2015. In July 2012, the company announced it would already reach its target of 100% certified palm oil in that same year, three years ahead of schedule (Oosterveer, 2015: 151).

mission to promote environmental sustainability” (Geibler, 2013: 48). Additionally, the direct integration of small-scale farmers and local stakeholders is lacking (Geibler, 2013), weakening the core goals of the certification.

Another limitation is that the RSPO has not banned the destruction of forests, but urged against such practices instead. This passive attitude before deforestation has allowed RSPO members to continue business as usual, without facing proper consequences (Schoeman, 2015).

Accusations of ‘greenwashing’ have also brought major criticism against the efficacy of RSPO’s certification system [...] Companies have therefore been able to rely on their RSPO certification to advertise their products as sustainable, when in reality such certification does not guarantee that companies are actually meeting the RSPO’s requirements. This is probably due in part to the RSPO’s structural weaknesses, such as, a budget that is too small to fund successful monitoring of its members or certification bodies with the requisite experience and expertise. Furthermore, members seeking certification pay for the associated audits, risking the audits’ integrity. One simple way the RSPO could boost confidence in its certification system would be to establish an independent watchdog group that could work to ensure that the organization actually follows its mandates, and is not overly influenced by its industry majority. (Schoeman, 2015: 1101)

Furthermore, the Principles and Criteria nuances result from consensus-based voting, meaning that they are not necessarily set based on what is actually sustainable but rather on the particular arrangement of involved stakeholders within RSPO (Schoeman, 2015). Therefore, certification has been “process-driven, rather than problem-focused or driven by outcome” (2015: 1102), which can be an issue considering that Indonesia and Malaysia have



historically had weak regulations and poor law enforcement against harmful environmental and social practices (Schoeman, 2015). Also, RSPO stakeholders have joined the alliance probably with different agendas and motivations, and targeting different goals, which can range from ethical to purely pragmatic or instrumental reasons.

This suggests divergent, and perhaps, conflicting opinions within the RSPO on what constitutes sustainable palm oil. Moreover, certain RSPO definitions, criteria and processes have faced criticism by groups outside the RSPO. These divergent views within, and beyond RSPO, throw into doubt its ability to effectively promote the sustainable production and consumption of palm oil. (Peñaranda *et al.*, 2015: 17)

Notwithstanding its clear sustainable claims, some external groups see RSPO's objectives as largely ineffective. It has even been nicknamed as *Really Slow Progress Overall — RSPO*:

The Australian-based Palm Oil Action group, for example, commented that membership of the RSPO requires little quantifiable action on sustainability. The group's website stated that: 'There are no requirements upon members to have their palm oil plantations or mills audited or certified in any way. Members are simply required to comply with the RSPO Code of Conduct, which mostly contains broad statements of principles regarding sustainable practices, but without specific, quantifiable action'. Thus, a need clearly exists for the RSPO to set out more defined objectives that will demand that actual sustainable production methods are used by its member parties. (Datamonitor, 2010: 10)

Another discouraging aspect is that RSPO certification is based on a user-pays arrangement, meaning that it can be somewhat expensive even for large enterprises. It also means that smaller companies cannot always afford the certification process. Without direct government regulation, smaller firms have little incentive

to adhere to RSPO standards and are likely to continue following unsustainable practices (Datamonitor, 2010). “While voluntary partnership agreements have been necessary to fill the regulatory void in Malaysia and Indonesia, stronger national and international governmental regulation and enforcement are crucial to successfully reforming this industry” (Schoeman, 2015: 1087) as the absence of authority limits the democratic legitimacy of non-state standard-setting (Geibler, 2013). However, it is important to highlight that it is exactly because of ‘limited statehood’ — where states lack the capacity to implement and enforce the rule of law — that transnational rules set by private authorities are increasingly emerging. In some developing countries, for instance, private governance mechanisms tend to be the only form of business regulation (Geibler, 2013).

Despite visible weaknesses, setting standards and certifications does have positive effects. It can be the starting point for a learning and innovation process through stakeholder interaction, which may lead to the development of more ambitious standards.

As existing legal regulation instruments are not sufficient or not implemented in an adequate manner, sustainability certification of palm oil through the RSPO could serve as an important step towards the development of further frameworks for an ecologically oriented and socially compensating biomass trade. (Geibler, 2013: 50)

Such ambitious standards could be manifested in many ways, but it is not within this chapter’s scope to speculate on what they might be. However, it is worth noting that certification will have made a worthwhile contribution if:

- a. it paves the way for a more interconnected business relationship in which companies join forces to tackle the challenges imposed by this industry, optimising efforts and leveraging positive results;

- b. it raises consumer awareness so as to push corporations and local governments into making substantial changes, while assuring the sustainability of the implemented good practices, and
- c. it is able to transform the business-as-usual model into a less impactful one.

As far as the RSPO is concerned, bringing important stakeholders to the discussion table was a positive first step catalysed by the initiative, which cannot be disregarded. As a management system, its Principles, Objectives and Criteria can help promoting important sustainable standards of production, albeit limited by its voluntary nature which prevents capping palm oil production capacity or guaranteeing enduring transformation (Peñaranda *et al.*, 2015).

## **Concluding Remarks**

The palm oil industry clearly needs a more thorough regulation of its productive chain. This multi-billion-dollar-a-year industry has expanded enormously at the expense of both the environment and human aspects, and most probably it is not going to change its damaging attributes until grassroots initiatives and top-down regulations come together to address the very core of the industry (Schoeman, 2015).

There have been repeated good faith efforts from environmental organizations, human rights organizations, and even industry groups to voluntarily work to reform the damaging practices of the palm oil industry. These efforts have only been limited to a relatively small number of players, however, and have not been successful in turning the industry around. This is not to say that such voluntary governance efforts are not useful; in fact, the relatively few advances are fully attributable to such action, as environmental organizations in

particular have pushed even the biggest players to at least try to control some damaging practices at the start of their supply chains. Nonetheless, the regulatory absence that caused the need for such voluntary approaches is what will continue to hamper efforts going forward. (Schoeman, 2015: 1125)

While the RSPO's weaknesses seriously undermine its capacity to effectively regulate the sector, the entire concept was implemented due to the absence of other governmental regulatory framework (Schoeman, 2015), which is a step and an effort that deserve positive acknowledgment. As a way forward, enterprises should be encouraged to move beyond the voluntary standards level, by incorporating these principles at their strategic business model and setting a pattern for the laggards.

Despite all the limitations on the government and non-government side of the palm oil industry, the involvement of every single actor is crucially important in order to achieve meaningful sector transformations. Success and effectiveness depend on the extent to which the different players synergistically reinforce one another to promote an overall strategy for the best practices throughout the value chain management (Geibler, 2013). However, for real and sustainable transformation to occur, it is vital that companies rank responsible sourcing practices as their number one priority, paying close attention to productive chains that are inherently risk-prone, such as the palm oil one.

Human and environmental resources may not be able to bear high 'production costs' for very long, as current business practices persistently drain them off. Prioritising profit over environmental degradation and people's need to work cannot be acceptable, and the struggle to address this issue should be a collective one.

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