Ear to Asia podcast

Title: The blessing and curse of Indonesia's resource economy

Description: In Indonesia, as in many other developing economies, the resources sector makes millionaires or billionaires of the few, and often leaves the many to eke out a subsistence. In a country highly dependent on exports of petroleum, palm oil, timber and tin, what are the local dynamics at play in the global game of resource extraction? Political economist Dr Rachael Diprose, and transnational governance expert Dr Kate Macdonald join host Ali Moore to discuss. An Asia Institute podcast. Produced by profactual.com. Music by audionautix.com.

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Voiceover: The Ear to Asia podcast is made available on the Jakarta Post platform under agreement between the Jakarta Post and the University of Melbourne.

Ali Moore: Hello. I'm Ali Moore. This is Ear To Asia.

Rachael Diprose: The incomes that can accrue to households from palm oil production can double if not triple monthly incomes. And when you've got large swathes of the population which is very poor, this can really shift people out of absolute or quite extreme poverty into a much better standard of living.

Kate Macdonald: It's just interesting that the involvement of European NGOs and European governments and so on, you know, actually driving the politics of the sector is very significant given that it's only consuming about 15% of Indonesia's overall palm oil production.

Ali Moore: In this episode, the impact of the resource economy on communities in Indonesia.

Ear To Asia is the podcast from Asia Institute, the Asia research specialists at the University of Melbourne.

Indonesia has long depended on producing and exporting resources to meet its economic needs. The spice trade induced the Dutch to colonise the archipelago over two centuries ago. And today, important Indonesian exports include petroleum, tin, timber, palm oil and rubber. But the resources sector in Indonesia, like those in many other developing economies, makes millionaires or billionaires of the few, and often leaves

the many to eke out a subsistence.

So what are the local dynamics at play in the global game of resource extraction? How do large corporations gain an advantage in an economy like Indonesia's? What redress can ordinary workers hope to have if they've been wronged?

And we all rely on resources to fuel our lifestyles, so what's the role of global consumers and investors in ensuring a sustainable industry?

Joining me in the studio to examine the impact of two key resource-based industries on Indonesian society are political economist Dr. Rachael Diprose, and transnational governance expert Dr. Kate Macdonald. Both Kate and Rachael are from the School of Social and Political Sciences at the University of Melbourne.

Welcome back to Ear to Asia, Rachael, and welcome, Kate.

Kate Macdonald: Thanks very much for having us.

Rachael Diprose: Thanks, Ali, for having us.

Ali Moore: Let's start with a big-picture look at the importance of the resources sector, generally, to Indonesia. Rachael, how significant is it? We've already pointed out that we're talking about a pretty vast array of resources.

Rachael Diprose: I think the resource sector is one of the more important sectors for Indonesia for gross domestic product, and for exports. Indonesia's very well known for its oil and gas exports, for many, many different minerals from tin to ore to bauxite, and others. But also for its agrobusiness sector, including palm oil and other sort of agricultural products that it exports.

If we take, for example, the palm oil sector, it's a $20-plus-billion export sector.

Ali Moore: So resources, generally, as a contributor to GDP?

Rachael Diprose: Very large, a significant proportion of those that get exported. Obviously, some of that's used locally in the domestic market, but a large proportion is exported as well.

Ali Moore: And, Kate, is it also an incredibly important source of funds for the government, given the relatively low tax revenue that's collected in Indonesia?

Kate Macdonald: Yeah, particularly in terms of the overall impact on the economy.

Particularly the impact as a source of foreign exchange is really important when we're talking about palm oil and some of the export-based commodities as well.

Ali Moore: Let's focus on both palm oil, which, of course, is often in the headlines because of environmental concerns, and also tin. And if we can look at them as indicative of some of the issues that face Indonesia. Rachael, let's start with tin. What is tin used for today, and how big an industry is it in Indonesia?

Rachael Diprose: Tin's generally considered a global strategic resource. These are the sorts of resources that governments, consumers, companies, rely on for our really essential goods.

Tin, in particular, and particularly Indonesia's tin, because it's a very, very high quality. It's estimated about 90% of the high-quality tin globally comes from Indonesia. And it's used for many of the products that we use every day. So, all of our smartphones, computers, cars, it's the solder that helps hold all of the electronics together.

Apple and Samsung and other very, very large conglomerates can't produce these products that we demand, like smartphones, without it, so you can imagine, for those companies, it's an incredibly important resource to access, and it doesn't exist everywhere.

And actually, in Indonesia, you find tin is concentrated in a couple of quite small places. So it has huge implications for the economies in those places. Two places that we've been looking at with our colleagues at the University of Gadjah Mada in Indonesia, the islands of Bangka and Belitung, which form one province in Indonesia, where most of Indonesia's tin comes from.

Ali Moore: And tin is also relatively easy to extract, isn't it, unlike many other commodities? And that's important because it means much easier for smaller players to be involved.

Indonesia does mine tin through large mining equipment and mine sites, and for that sort of mining you require a particular type of licence, usually issued by the national government. But because tin is this mineral that actually, if you picked up a handful of sand on the beach in places like Bangka and Belitung, you can actually see it sparkling through the sand. And it's quite easy to extract. You don't need lots of chemicals.

Rachael Diprose: Obviously, with large companies extracting, they can do it at scale. But our small-scale miners, what we call artisanal miners, individuals or sometimes groups, or medium-sized firms, can mine that fairly easily.

In an island where that's the primary livelihood, where the entire industry and sector is set up around that, it becomes an incredibly important source of livelihood for local people if they can't get one of the few jobs that exist in the larger industries.

Ali Moore: And we'll go back to the impact, I guess, on local people, in a minute. But Kate, is it similar with palm oil? If we look at the number of artisanal miners in tin, do we see that same story with palm oil?

Kate Macdonald: Yes. It's something like around 40%, so very significant proportion of the palm oil production within Indonesia is through smallholders. And that's grown over time, as the palm oil industry has expanded, and supported by the World Bank, and supported by the Indonesian government. It is quite a significant part of the overall production now.

Ali Moore: Globally, demand for palm oil is enormous, isn't it? And yet, at the same time, there's massive pressure over deforestation, about the threat that palm oil clearing poses to various species, including orangutans, and yet that demand is showing now sign of waning.

Kate Macdonald: Absolutely. And there are certainly contradictions, which many like to point out, between the pressure that comes from Europe and other Western buyers for these commodities, the demands for increased environmental sustainability, at the same time that the demand and the consumption for the product continues.

Having said that, the demand for the consumption of palm oil from somewhere like Europe, it's still only about 15% of Indonesia's palm oil exports. That's certainly significant. It's just interesting that, if you look at the way that the involvement of European NGOs and European governments, and so on, in actually driving the politics of the sector, is very significant, given that it's only consuming about 15% of Indonesia's overall production. And then, over half of it is actually for domestic consumption, and then a lot of the rest is actually exported into other parts of Asia.

Rachael Diprose: Yes, so one of the largest destinations of Indonesia's crude palm oil exports is actually to India. It's probably about 65%. But also to the Netherlands and Singapore and Spain and Italy. So you can see there's this mix of countries in Asia and Europe and beyond that are purchasing Indonesia's palm oil.

And they're using it for all manner of products. Unilever and some of the enormous conglomerates internationally that produce many, many different sorts of products will use palm oil in everything from chocolate to our soaps and shampoos, to just general cooking oil.

And a big proportion of people in lower-income countries rely on it for cooking oil, so it isn't all exported as well.

Ali Moore: And when you look at local small players being responsible for about 40% of production, as Kate was mentioning, those smaller players, both in palm oil and tin, must be incredibly difficult to regulate.

Rachael Diprose: Yeah, so in terms of the palm oil sector, they're small-hold producers. In Indonesia it's actually strongly encouraged, because the incomes that can accrue to households from palm oil production, for example, can double if not triple monthly incomes. And when you've got large swathes of the population which is very poor, this can really shift people out of absolute or quite extreme poverty, into a much better standard of living, fund their children's health costs, education, general consumption in the household each month.

It becomes an incredibly important commodity. And there's a lot of policies that are set up in Indonesia to support these sorts of agrobusinesses for smallholders, and it's encouraged.

Ali Moore: Tin? Is tin the same?

Rachael Diprose: Tin is a little bit more controversial, mainly because for many, many decades, since the Dutch, if not before, most of the tin industry has been controlled by very, very large corporations, including the state-owned enterprise, which is known as PT Timah, "timah" meaning tin.

Did diversity a little bit a couple of decades ago, and other players were able to enter the market, but this has predominantly been dominated by large mining companies.

When you've got that very, very, very strong history of large corporations with huge licences to extract tin, once you introduce competition into that market, and thousands and thousands of small-scale tin miners, when you combine all of the tin that those small-scale miners are producing, that actually can destabilise the market a little bit, because suddenly you've got sources of unregulated supply, which doesn't necessarily incur the same royalties and taxes that the bigger companies might.

Ali Moore: Kate, what does it look like on the ground when you've got all these competing interests? So, you've got the massive big players who have got a global demand imperative. You've got these smaller players who have got a local livelihood imperative. You've got a national government that's got a revenue imperative, you've got an environment that needs a sustainable industry. What does all that look like on the ground?

Kate Macdonald: Well, there's certainly quite a bit of tension and conflict that gets created as those different interests are brought together, competing over scarce resources, and competing over the benefits and the profits that are produced within the industry.

There are a number of sources of controversy and conflict that've been associated with the expansion of the palm oil industry. Perhaps the issues that have received the most visibility amongst consumers and publics in Western countries has been associated with deforestation, and the associated impacts for biodiversity. Iconic images of orangutans standing amidst the smoking forests and so on has been something that's really captured the imagination.

But, at the same time, there are big tensions around land conflict when people are displaced from their land, or lose access to forest resources through the expansion of production.

Ali Moore: And, in fact, The Jakarta Post reported just a couple of months ago that there are something like 306 plantation-related conflicts impacting 52,000 families.

Kate Macdonald: Or some numbers are double that. Different organisations put out different estimates. But yeah, very significant numbers of low-level conflicts that sometimes flare up in forms of violence, but usually they're more low-level conflicts that often endure over a really extended period of time.

Ali Moore: You talked about that iconic picture of the orangutans in the middle of the burnt field, and palm oil is one industry where international bodies have been very actively involved. How does that sit at the national and the local level? What is their role, if you like, for want of a better word?

Kate Macdonald: That's a really good question. As I mentioned before, although the European, mainly, the Western markets for palm oil aren't a huge percentage, they're significant enough, and they're significant enough for some of the really big multinational processing and trading companies, that are quite powerful within the palm oil sector, that mobilisation of NGOs and so on, within Europe, around some of these issues, around particularly deforestation, biodiversity loss, and then the impacts of that for climate change, particularly when there are peat lands that are being deforested, which has a huge impact on climate change.

The mobilisation which has occurred, particularly within Europe, has actually had a really big impact on the sector. And then, as time's gone on, and particularly since the European Union has developed its own environmental safeguards associated with its renewable energy targets,

part of which has involved biofuels, that's also really ramped up the pressure on the palm oil sector to try and increase safeguards around environmental sustainability.

Because even though, in terms of the global market for palm oil, biofuels are not a particularly significant figure, something in the order of magnitude of 5% of Indonesian palm oil, anyway, in the context of some European countries it's much more significant than that. Germany, I think, is on 40% of their palm oil consumption is actually going into the biofuels sector, and that's a very heavily regulated sector.

The pressure from those international actors is actually quite significant.

Ali Moore: Rachael, significant on the industry, where does that intersect locally? How does international pressure work? How does it influence, can it influence at a really local village level?

Rachael Diprose: I think it can influence, and also some of those influences are limited. In addition to the social and environmental safeguards that, for gaining large licences, many companies, multinational or otherwise, are meant to meet, we have those set in various global forums.

For example, in climate change, it draws on many of the aspects of the United Nations Declarations on the Rights of Indigenous Peoples, which sets out various sorts of values and principles that countries have signed up to protect indigenous rights and make sure that they are consulted, and give what's known as free, prior and informed consent, to the lands and forests of which they are stewards, to be handed over as a part of these sorts of large licences and concessions.

A lot of those principles evolved out of Latin America where we saw large swathes of the Amazon being deforested for timber and so on. And you find those processes happening in Asia as well.

Ali Moore: But they're principles, they're not law.

Rachael Diprose: Exactly. So, a couple of things are happening. One is that there's big debates in the Indonesian context as to who is indigenous, because these are not settler colonial societies, these are very multiethnic societies, where everyone across the archipelago could be considered indigenous.

So then it happens to, well, who was born in that very, very local region, and have they been consulted on implementing these large concessions? Where it gets more complicated is, a lot of these principles were developed around, for example, deforestation. And you find that palm oil, for example, is planted on previously deforested areas that have been

felled for timber.

And in some ways, it rehabilitates and uses this land that is not necessarily able to be used otherwise. Where it becomes very messy is where there are companies looking for licences for areas that are on areas of virgin forest, to replace with palm oil. And that's, at least in our research, a key area where you tend to get greater degrees of conflict on the ground, because the rights of customary communities have been recognised in a statement from the Constitutional Court in 2013. That is now challenging whether the State has the right to issue licences on-

Ali Moore: And take people's land.

Rachael Diprose: Yeah, exactly, and take these lands. A lot of the conflicts are around land rights and access. Sometimes they're even around ecosystem development, where a patch of land has a particular type of licence to try to rehabilitate it, but it may restrict access to those local communities in the interim. And this is where you get into the big politics of climate change, because often climate change mitigation projects are about protecting patches of land that are heavily forested, or improving the biodiversity on those lands, to keep those carbon sinks there.

But these are also places ... forest-dwelling communities are living there. If they haven't appropriately given their consent, suddenly they don't have access to their traditional livelihoods, or even new livelihoods, which are emerging.

So, I think the way it plays out in Indonesia is very much contingent on the local context, and whether you've got multiple livelihood options, or really just one or two.

Ali Moore: One. One option. And in terms of the international arbiter, Kate, tell us about organisations like the Roundtable on sustainable palm oil, which has mediated between company and community.

Kate Macdonald: The Roundtable on Sustainable Palm Oil is an organisation that was set up, and very much led, by some of the big international companies, together with big international NGOs, particularly WWF, who've been involved in campaigning in this area for a long time.

And the idea is that it's set up as a standard-making organisation, where social and environmental standards to regulate the 'sustainable' production of palm oil are negotiated directly between companies at all stages of the supply chain, from the finances of the sector through the big food processing companies like Nestlé and Unilever, and then through to the big trading and production companies, and down to the plantation

level.

They all have representation, because they've all got very different interests and perspectives in terms of what standards are reasonable. And then you've got representation from social NGOs, and from environmental NGOs as well.

And they negotiate standards. And so it's really a forum where they work out what standards are going to apply for the companies that sign up. And then they have their own auditing systems to try and provide some assurance that those standards are actually being implemented on the ground.

At the beginning, that's all they were. And then it became clear, as the organisation developed, that they had a huge issue with conflict. Because, as we were talking about before, the conflicts are recurrent throughout the sector, and so they figured out pretty quickly they really needed to set up a specialised complaints-handling system, which has continued to evolve and become more and more complex over time.

Ali Moore: So, they are the effective mediator?

Kate Macdonald: In many cases. Of course, within Indonesia there are a whole range of other government and judicial, quasi-judicial systems which also get involved in mediating conflicts and grievances when they arise. So it's a very multilayered, complex space. And these international organisations come in over the top of that, sometimes operating in parallel with the government systems for trying to manage the conflicts. And so communities or NGOs working with the communities bring a complaint where there's an intractable conflict to the organisation. They can either try and just do informal mediation. There's also a formal panel that can be set up with representation of the different companies and NGOs, to try and make a decision about what's reasonable, and everyone's supposed to comply with that.

Sometimes there is actually coordination between these external mediation processes and the Indonesian government, usually at district and provincial level. And when that coordination is able to be set up, it provides a much stronger basis for actually getting a sustainable outcome, and and outcome that's going to be monitored and actually backed up on the ground.

Ali Moore: So these international bodies have legitimacy on the ground? They have credibility?

Kate Macdonald: Well, that's a very interesting question. Not always. They really have to

tiptoe very, very softly, and try and make clear that they're respecting the sovereignty of the governments, in Indonesia, also in Malaysia, which is the other big country, actually, where the headquarters for the Secretariat for the RSPO is based.

And there are big concerns within the Indonesian and Malaysian governments, also within the industry associations in both countries, about the perception that an organisation like the Roundtable on Sustainable Palm Oil is basically a colonial entity, coming in again and-

Ali Moore: Telling them what to do.

Kate Macdonald: ... telling them what to do in their own country, exactly. And there is very much that risk that if an organisation like that, and international NGOs, and international companies come in and start throwing their weight around, they do undermine their own legitimacy.

And so it's a delicate diplomatic sort of process to try and come in and show that they can make themselves useful, try and show that, actually, they have the support of local actors, and they're trying to keep very different audiences happy.

At the one time, they have to try and keep audiences in Europe, who are very concerned about deforestation and biodiversity, and the encroachment on forests through new clearings, and so on. Very concerned about that, pushing for stronger and stronger and stronger safeguards.

But if they push too hard on that, they undermine their own legitimacy. And actually, there was a period of time when the main industry body, GAPKI, within Indonesia, was very supportive of the RSPO. And then there came a point where they actually pulled out, and the Indonesian government set up its own ISPO, Indonesian Sustainable Palm Oil organisation, which has less stringent standards, let's say, but which is rolled out and mandated across the whole sector, whereas RSPO is only for a certain proportion of the sector that are heavily into the export markets.

Ali Moore: You're listening to Ear To Asia, from Asia Institute at the University of Melbourne. I'm Ali Moore, and I'm joined by Indonesia political economist, Dr. Rachael Diprose, and transnational governance expert, Dr. Kate Macdonald. We're discussing the impact of the resource economy on communities in Indonesia.

Given that, that there are limits to what a global body can do, when there are just so many different types of conflict, Kate, do international bodies provide any form of redress? And what does that mean for these smaller

miners, and for other landholders, if they feel that they are not getting a good deal?

Kate Macdonald: When we think about what impact these sorts of international organisations have, and what kinds of redress, or what contributions to managing these complex issues that they can provide, there are a couple of levels to that.

One dimension of the question relates to the extent to which they're able to provide remedy for particular communities or workers, or whatever it might be, who are affected by these conflicts. In those cases, sometimes they can make a contribution, in very individual cases where they've been able to go in, they've been able to provide resources and capacity support. They've been able to exert very direct leverage through the supply chain, and through the market pressure on the companies involved, to actually get them to mediate to provide some compensation, perhaps to give certain bits of contested land back to communities.

There are certainly are cases where they make a difference to individual communities, but that's the minority. It's really a drop in the ocean if we're talking about trends within the sector as a whole, and particularly if we're concerned with big issues like climate change or biodiversity loss, which are driven not by what's happening in one particular community, but by what's happening across the sector as a whole.

If we want to look in a bigger picture way at the impact of these sorts of international organisations, then we also need to think about redress at a more systemic level. I think where they really can make a difference is where they can bring a source of leverage, or they can bring resources, or they can help to build coalitions that just shift the dynamics within the sector at the local level.

If they're able to act as a lever, in a sense, or as a catalyst for broader forms of change, that's where they can really be useful. And that can happen in different ways. Sometimes it is about, through providing incentives or more negative forms of pressure, threats that you're going to cut off or lose your contract with these huge buyers, they're able to put pressure on some of the big companies at the local level to actually change their practises.

And so there are a couple of issues where I think you can see some change, particularly around protection for high conservation value land and, to a lesser extent, but also significantly around some of the issues of free, prior and informed consent for indigenous communities, where they have actually formed coalitions with companies who are affected by this, and actually gone to the government and said, "You have to do something

about this."

There are cases where companies who've signed up to the RSPO have committed under the RSPO standards not to clear or plant on high conservation value land, and then local governments say, "Well, if you're not using that, we're going to give it to someone else."

And so there's kind of losing out, then, and they then have incentives to go and lobby government. And in at least one province, there've actually been some legislative changes, not directly as a result of the RSPO, but in part supported by some of those coalitions.

So I think those are the sorts of interesting examples where you can see an impact, where it's able to generate leverage to build coalitions, to actually have some bigger impact on the sector.

Ali Moore: And that's very much a positive. When you look at the supply chain for major commodities, like palm oil and like tin, it provides a massive potential tool of control, doesn't it? Because the influence there, I won't buy your tin, I won't buy your palm oil, if you don't do ...

Rachael Diprose: What's expected of you. Yes. That's the flip side of the coin, and it's sort of easy to start assuming that, in places where you don't tend to have as many conflicts on the surface ... and when we use the term conflict here, we don't necessarily mean violence. We mean protracted contestation that potentially prevents an extractive activity going forward, or everybody downs tools, or whatever it might be.

Nonetheless, these are tensions in communities' disputes, and sometimes at scale, and sometimes protests, and to the point of riots and other sorts of actually more violent implications.

And so it's easy to assume, when you look at patterns of conflict and violence in different countries, that where they're absent, things are probably running pretty well. But that's not necessarily the case.

Ali Moore: It may not be as it seems.

Rachael Diprose: No, it may not be as it seems, because it may be that people are dissatisfied, and their cost of living is going up because of it's difficult to get clean water now, from polluted waterways, food, crops are being replaced by things like palm oil. Other costs of living are going up, and hence there's more pressure on your household to earn a living in whatever way you can.

And when you're a part of a large supply chain of something like palm oil, where, over time, you've got to know the local guy that comes and picks

up your bunches of palm kernels, or fresh fruit bunches, as they're called, or that's organised through your village, or through the village head, or it's through your ethnic association or religiously, however that community is organised, there's quite a lot of pressure, then, to follow suit around voting preferences, supporting particular actors over other actors, and so on, which actually feeds into the political system.

Ali Moore: Did we see that in the most recent election?

Rachael Diprose: We've certainly seen, in particular districts, where a large company has supported one candidate or the other, and you see this a lot in Sumatra, actually, where some of the older parties, like Golkar, have long had a stronghold in that area, there's a very well-developed political system around that.

Large companies can support indirectly, it's not necessarily overt and direct, but can indirectly support particular candidates. And the whole supply chain can be set up to reinforce that. Local brokers with strong connections to Malaysia, Singapore, China and elsewhere, which were long developed through timber felling and selling those products, then gain greater power, for example, in the palm oil industry, because they've grown their own capital wealth and power.

Rachael Diprose: They can say, "We won't buy your palm oil anymore. We won't collect your timber. We won't collect your other produce if you don't follow suit on our preferences around these candidates."

And equally, because of the strong livelihood imperative of people to survive, they won't necessarily contest when things are not going particularly well in an industry.

Ali Moore: So where, Kate, does that leave the international policy-makers, the certification bodies, the organisations that are, in reality, outside that political structure?

Kate Macdonald: Well, I think it leaves them in a position where they need to be self-aware about the extent of their own leverage, and they have to try and be smart in the way that they use that leverage.

Another source of leverage that has been quite important in the past has been through financing of the sector, because the World Bank's had a role in the past, in directly financing some of the growth of private sector companies within the sector. Big banks out of Europe, HSBC and some of the others that've been quite active in the sector. And that has given them leverage, that they've then been able to use, in putting conditions on the social and environmental practices, then, of companies who accept their

money.

So, in some contexts, that can be a powerful driver. The challenge is that, as time's gone on, they're actually less important now. There's a lot of finance coming from Asian banks, and from Asia in general. And actually, these Western lenders don't have the leverage that they used to have through that channel.

The way in which they shape their strategies has to be reflective of an understanding that they can't just dictate the rules. They actually have to negotiate it, they have to try and build these wider coalitions.

Ali Moore: Is there also, though, momentum building? Just recently we saw the Singapore-listed Wilmar International, which is a major palm oil trader, they promised to take a harder line to ensure sustainability. If you get a massive player like that, making some commitments, does that help to build momentum for others to follow suit?

Kate Macdonald: Yeah. I think it's certainly positive when some of those big players make big commitments like that, and it's even more positive when there are coalitions, when it's not just one, and there have been examples of these coalitions that have formed. There was a group of some of these big processing and trading companies that got a bit frustrated about the deadlock within the RSPO, and they ... they didn't break away, but they formed their RSPO-plus coalition. They tried to have stronger standards, and make unilateral commitments, and so on.

Ali Moore: Which are audited or not? Because this goes back to that question of what's on paper versus what's in reality.

Kate Macdonald: Well, this is one of the challenges of these unilateral commitments, is that it's essentially a voluntary corporate responsibility commitment. So, no, it doesn't have the same degree of oversight as these multisectoral processes which have the oversight of NGOs, essentially, to give a little bit more assurance and credibility to them.

But at the same time, these are actors that at least have legitimacy within Indonesia and Malaysia, and within the region. If they're able to take seriously a commitment to actually try and bring about broader change in the sector, although again, they're still not powerful enough to just dictate the rules when others don't share the same interests and market position as them.

Certainly that's a positive move. At the same time, though, that's still sitting in a context where their objective is clearly not to bring about a structural shift in the consumption of commodity products in a way that

critics of the RSPO, or critics of these corporate responsibility programmes would want to see.

The RSPO very much was set up as a way of protecting the palm oil industry, and helping it to grow, not as a way of-

Ali Moore: In a sustainable way.

Kate Macdonald: Well, in a sustainable way on one understanding of sustainability. But there are a lot of groups who would argue that it can't be sustainable, that actually, what we should do is stop eating so many processed foods, and actually cut back on our consumption, full stop, of some of these products. And so something like the RSPO, or responsible commitments from companies, isn't going to solve that. So it kind of depends what you mean by sustainability, and-

Rachael Diprose: It also raises questions about, if it's not palm oil, then what other oil is it? Or what other product ends up replacing it, and what are the implications of growing that sector, environmentally? Coconut oil, soy.

I think this comes back to something you were saying earlier, Rachael, about the distinction between planting palm oil on lands that've already been cleared and used for other purposes, and that have been replanted, versus the planting of palm oil through new clearing.

Kate Macdonald: That's an incredibly important distinction, because one of the things about palm oil that the palm oil sector will always highlight, is to say, actually, if you do compare it to some of these other commodities that we could get vegetable oils or biofuels or whatever from, actually is much more productive. You use a lot less land to get a certain yield of palm oil than you do if you're planting soy, or rapeseed oil, whatever it might be. It's much more productive.

And so they argue, actually, if by calling for boycotts of palm oil, that just means that you're going to go ahead and plant a whole lot of other things instead, actually, that's worse, because then you're going to have to clear more land. That's one argument.

But the key thing is that the EU did an analysis of this recently, and what they concluded was, although that is true in terms of the productivity and the yields that you get per land, that if you actually look at where the production is happening, they found that palm oil was associated with a lot more new clearing. But not just new clearing, new clearing in areas that have high conservation value. Basically, wetlands, peat lands, forests that have high biodiversity.

Ali Moore: So it's obviously, as our discussion has illustrated, a very imperfect system. And of course, it's not just Indonesia, but we are talking about indonesia today. So I guess the ultimate question is, how do you make it better? How do ensure that those various competing rights are sorted on a more equitable and a more sustainable basis? Kate?

Kate Macdonald: Well, does making it better mean we actually want to keep the palm oil industry in Indonesia, and we just want to make it a bit more sustainable, and protect some of the really high conservation areas, and so on?

Or do you actually mean that you want to drastically cut back on these kinds of tropical commodities, or drastically change global consumption, which will be good for the environment, which would be very bad for the Indonesian economy?

Ali Moore: This is not win-win, is the bottom line.

Kate Macdonald: It is not, it is not win-win, no. And all the way up and down the supply chain, across the different players within Indonesia, but also between different producing countries. If palm oil were to go down, and soy were to replace it, well, that's a big win for Brazil and Argentina. That's terrible for Indonesia and Malaysia.

Ali Moore: What do you think better looks like?

Rachael Diprose: What do I think better looks like? Well, I've seen lots of interesting examples where Greenpeace has been working with some of the large conglomerates to make sure that their land certification processes and licences, and their social environmental safeguards that they're implementing, at the onset, are meeting a standard that global consumers might expect.

I've seen cases where the global consumer does collectively put pressure on some of these large companies to do things in a more sustainable fashion. And you see, when market share is at risk, you do see a response from those companies.

I've seen some wonderful examples of local communities forming political pacts with their local leadership, that they're not going to give their vote unless the candidate in question provides a certain sort of service, or takes a particular approach to extraction that that community expects.

A very good example of that is in the Bangka and Belitung Islands, in the tin industry, there's fairly standard tin mining on Bangka Island, but many years ago there was a large tin mine on Belitung Island, just next door. But for a whole range of reasons, that mine was essentially just left there, and

production was moved elsewhere, to the other island.

That meant that the entire economy was disrupted on that island, and it was met with a lot of anger in that community. And they spent the next two decades rebuilding a diversified livelihood base. Fishing, tourism ...

Ali Moore: But that's not been easy. And still today, that island faces massive challenges.

Rachael Diprose: It's very, very difficult. Two decades to get to a point where there's a diversified source of economic wellbeing. So when, more recently, that large company sought to reenter that region through offshore mining, suction boats around the edges of the shoreline, collecting tin from those sands, right near the shore and the tourist spots, that was met with great resistance from that community, and essentially they put pressure on their local candidates, that if they supported tin mining at scale in that island, they would not get the local vote.

And that actually had an impact. The local leaders who do have influence beyond their local environment are not necessarily supporting that and signing off on the various concessions that are needed to continue those activities.

Ali Moore: So I guess, as a final point, it has to be top down and bottom up.

Rachael Diprose: Bottom up, exactly. We need to find ways to incentivize all the different interest groups to find a middle ground on sustainable resource use, protection for rights of communities and environment, slightly, possibly more mitigated consumer demand, being a little bit more conscious of throwing away that phone, replacing it with the latest model, choosing your products carefully, because it does have knock-on effects when it's happening at scale. And the demand for these products is absolutely huge globally.

Ali Moore: Top down, bottom up?

Kate Macdonald: Absolutely the top-down pathway is possible. Bottom-up pathways, absolutely. One of the big challenges ... we've been talking about how there are these big stories that are told about economic growth and national development and poverty reduction. But at the same time, the reality, of course, is that there are huge power inequalities, and the benefits of the industry are not shared, by and large, with the people who are the poorest, and the marginalised, and so on.

Ali Moore: Who also have the weakest voice.

Kate Macdonald: Who have the weakest voice, exactly. And so, bottom-up strategies are very challenging in that political context, where business and government actors, at the local level as well as at the national level, have got not just interests in economic development, that's important, but also individual interests, personal interests. There are kickbacks. There's money for election campaigns, and so on, as we spoke about.

And it's very difficult in that environment for the workers or smallholders, or communities who are being displaced, to really organise, and to have voice, and to even figure out what it is that they want to articulate.

This is another thing we haven't really spoken about, but something which the better kinds of interventions from the outside can try and do, is not necessarily just charge in and dictate global standards, but actually work closely with different kinds of affected groups on the ground, with particular attention to the groups that are weaker and more marginalised, and don't already have voice. And actually try and build up their own capacity and their own organisations and their own connection into local and national networks, within Indonesia, to actually give them greater capacity to be engaged in those debates about how those different trade-offs should be made.

And often that doesn't happen, it's very hard. They're better when they're working with local coalitions, as they often do. But it's very challenging. It requires resourcing that often they don't have. But I think, if we're talking ideal world here, absolutely a lot of energy into supporting those bottom-up strategies, understanding that it's political.

And this is one of the challenges, is because you're only going to get a bottom-up strategy to actually be meaningful if you're actually challenging power relations at the local level. And that's very political. And the more successful you are at doing that, the more likely you are to get pushback, using discourses of national sovereignty, and so on.

So it's a very, very difficult balance between top down and bottom up.

Ali Moore: There is no end to the challenges that Indonesia faces with the resource sector. And, as we said, challenges that many other countries face as well. I think we've got the subject for a large number of Ear To Asia podcasts.

Ali Moore: But thank you very much for joining us, Rachael and Kate.

Kate Macdonald: Thank you for having us.

Rachael Diprose: Thank you very much for having us, it's been great fun.

Ali Moore: Our guests have been Indonesia political economist, Dr. Rachael Diprose, and transnational governance expert, Dr. Kate Macdonald, both from the School of Social and Political Sciences at the University of Melbourne.

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I'm Ali Moore. Thanks for your company.