Accountability Gaps in Indonesia's Palm Oil

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Introduction

Indonesia has emerged as the world's largest palm oil producer, with an annual output of 35 million tonnes (Amnesty International 2016). The country has been fueled by increasing global demand for vegetable oil and biofuels, leading to high numbers of hectares of land deemed as suitable for future palm-oil expansion, but such demand makes conflict over land inevitable (Abram, Reerink Daeli, and McCarthy 2017, 34).

According to Human Rights Watch, over 650 land-related conflicts have been documented, affecting more than 650,000 households (Human Rights Watch 2019). This expansion, driven by corporate ambition and state support, has displaced indigenous populations, eroded traditional land rights, and entrenched structural poverty. Many of these developments occur without the Free, Prior and Informed Consent (FPIC) of communities, in violation of international human rights standards, including Article 10 of the UN Declaration on the Rights of Indigenous Peoples (United Nations 2007).

While decentralisation reforms in Indonesia intended to empower local governance, they have instead produced fragmented authority structures. Local governments remain financially dependent on central transfers, which fuels corruption and leaves rural communities vulnerable to exploitation (Abram, Daeli, and McCarthy 2017, 557). This, in turn, affects resource distribution and land ownership disputes, but also raises concerns about the state's capacity to mitigate the industry's environmental damage.

Palm oil expansion accelerates deforestation and is related to fires on drained peatlands, contributing to the emission of 220 million tons of carbon dioxide between 2015 and 2022, amounting to almost a fifth of Indonesia's total annual emissions (Benedict & Heilmayr, 2024). These environmental impacts extend beyond Indonesia's borders, which undermines regional stability through transboundary haze pollution, making it a transnational issue. Therefore, the palm oil crisis is not an isolated governance issue but challenges global climate security. This raises a critical question: How do governance failures and land conflicts in Indonesia's palm oil sector contribute to broader climate security risks?

To address it, this brief will first examine governance failures at the domestic level, including land conflicts and labour exploitation. Secondly, it will analyse the environmental and climate security risks associated with palm oil expansion. And finally, it will explore how global supply chains and international economic structures contribute to deforestation and accountability gaps.

Palm Oil Expansion and Governance Failures

In Indonesia, palm oil is the leading plantation crop, with around 30 million tonnes of crude palm oil per year and 14 million hectares of land designated for palm oil production (Choiruzzad 2019; UNDP 2016). It creates around 4 million places of employment for local people, even in remote areas, and generates 4.5% of its GDP (UNDP, 2016). Yet, this industry is highly controversial, as it has facilitated widespread human rights violations and depleted the environment, failing to uphold the principles of sustainable development.

At the local level, governance failures are evident in the overlapping legal regimes in Indonesia, where formal state law coexists with customary (*adat*) law. This legal pluralism creates ambiguity over land ownership, which corporations can exploit to secure land access at the expense of indigenous communities. The Basic Agrarian Law passed under Sukarno in the 1960s

indicated that "all land rights were alienable if conflicted with National Interests" (Henley and Davison 2007, 11). In practice, this provision has enabled the state to lease land to corporations, often disregarding customary claims. As a result, it has repeatedly resulted in land-grabbing conflicts, justifying them by claiming that "Indonesia owns this land, not you" (Tsing 2002, 127; Riyanto 2025, 9).

Since the beginning of the 21st century, the total size of palm oil plantations has roughly doubled every decade, often displacing Indigenous communities, and in most cases, leaving them without adequate compensation (Berenschot and Dhiaulhaq 2023, 1378). The National Land Agency estimates there were around 4000 active conflicts by 2023, and in turn, villagers engaged in demonstrations, violence, and road blockades (Berenschot and Dhiaulhaq 2023, 1378). These disputes often stem from the absence of Free, Prior and Informed Consent (FPIC), despite its recognition under International instruments such as the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). In West Kalimantan, for instance, residents of the Snaggu district were displaced when PT Ledo Lestarim, a subsidiary of palm giant Sinar Mas, cleared customary forests without formal community agreement. Legal mobilisation led to a court ruling acknowledging the rights of Dayak communities, but there was no enforcement, revealing the limitations of Indonesia's land governance system (White et al. 2018, 239).

Moreover, although this industry provides high amounts of job placements in rural communities, investigations by Amnesty International revealed how plantations rely on informal contracts and weak enforcement of labour protection (Amnesty International 2016). For instance, Wilmar International's activities in North Sumatra revealed widespread workplace violations, including the employment of underage labour, unpaid overtime, and gendered worker discrimination (Amnesty International 2016, 8). Indonesian law formally limits working hours to 40 per week with a cap of 3 hours overtime per day, and despite local governments determining minimum wages by region, wages in provinces like North Sumatra and Central Kalimantan remain too low to cover basic household needs (Amnesty International 2016, 6). Even if legislation prohibits child labour, enforcement gaps persist, and exploitative systems often push workers to involve their children in meeting production targets, exposing them to hazardous conditions and limiting access to education (Amnesty International 2016, 64).

Climate Security Risks

Beyond its social consequences, palm oil expansion poses significant environmental and climate security risks. The term "Climate Security" has emerged in the literature in recent decades, once climate change has become associated with security issues. It has related climate change consequences, such as increased temperatures and desertification, with resource scarcity and state fragility, underlying factors like increased health risks, and more people on the move (Benjaminsen 2024, 11). Hence, "the

consequences of climate change will reinforce and deepen survival problems and the potential for violence" (Benjaminsen 2024, 12). Building on these concepts, the IPCC in its Sixth Assessment Report argues that the global realisation of the urgency of the climate crisis needs a societal transformation to a low-carbon or green economy, yet it would imply deep structural changes in society (Benjaminsen 2024, 17). However, these transformations remain uneven when translated into resource-deep economies, where short-term economic priorities continue to outweigh long-term environmental sustainability.

Indonesia illustrates this tension clearly. Their forests store nearly 300 billion tonnes of carbon, roughly forty times the annual greenhouse gas produced by fossil fuels. Yet, the deforestation rate continues to increase with an average forest loss of 350,000 hectares annually, with more than half of the deforestation between 2005 and 2015 in Borneo being directly linked to the palm oil industry (Qaim et. al., 326). This is because, in order to increase productivity, rows and rows of palm trees are planted in peatland forests, which transforms the environment from rainforest to monocultures. Draining peatlands for cultivation exposes carbon-rich soils to oxygen, triggering long-term carbon emissions. In Southeast Asia alone, this process accounts for an estimated 2% of global fossil fuel CO2 emissions (European Parliament Research Service, 2020). These drained landscapes are also highly prone to wildfires. The 2015 peat fires of Sumatra and Kalimantan, which burned an area nearly the size of Belgium, made Indonesia one of the world's largest emitters for weeks, spreading toxic haze across the region and causing severe economic and human health impacts (European Parliament Research Service, 2020).

Ultimately, this results in forests which used to hold more than 470 tree species per hectare with leaf litter or woody debris (which are needed to support high biodiversity), end up lacking complex vegetation. Paired with frequent human disturbance and use of pesticides, there is a big biodiversity loss, including endangered species like the orangutan (Qaim et. al., 326). At the same time, oil palms have "less than 20% as much above-ground biomass as rainforest trees", leading to less absorption of carbon dioxide from the atmosphere. This ecological degradation directly undermines ecosystem functions, including carbon storage, water regulation, and soil stability, thereby intensifying climate insecurity.

Global Drivers of Deforestation: Supply Chains and Accountability Gaps

Indonesia's deforestation crisis cannot be understood in isolation from the global economic structures that sustain it. As Bran and Hein (2023) argue, Indonesia has become "internationalised", with national development strategies closely aligned with international financial institutions, which result in export-oriented production (Brad and Hein 2023, 456). These conflicts are particularly prevalent in the Global South. Neoliberal economic reforms have been encouraged by financial institutions like the World Bank, where they promoted structural adjustment programs that encouraged

deregulation and export-oriented growth, enabling MNEs to have higher control and facilitating regional elites to capture new forms of rent-seeking (Brad and Hein 2023, 455). In this context, we see how deforestation is not solely a governance failure at the local level, but a consequence of the increase in international demand. For instance, in a study of 150 palm oil conflicts, companies were found to provide regular payments to local elites and authorities to suppress resistance when expanding their plantations (Berenschot et al., 2024, 6). In nearly 45% of cases, no compensation was paid to communities prior to land acquisition, while in others, village leaders were incentivised or pressured to sign away communal land on behalf of entire populations (Berenschot et al., 2024, 8).

This raises questions about the extent to which states bear obligations beyond their borders, particularly concerning economic and social rights in developing countries (Beall 2022, 2338). During the formation of the International Covenant on Economic, Social and Cultural Rights (ICESCR), leaders from the Global South pushed for provisions that would require reparations and redistribution by former colonial powers. These efforts culminated during the calls for a Right to Development, where leaders highlighted how developed nations should have legal responsibility to provide economic assistance and correct the "unjust international economic system that has condemned millions in Asia, Africa and Latin America to a life of dire poverty and hopelessness" (Bandaranaike 1976, 34). However, Western resistance resulted in economic and social rights being framed as internal state obligations, leading the Global North to be insulated from international legal responsibility.

These accountability gaps reflect what Sikkink and Kim (2013) describe as the "justice cascade", although global norms around human rights accountability have strengthened, enforcement mechanisms remain weak when applied to powerful transnational actors (Sikkink and Kim 2013, 270). Voluntary governance initiatives, such as certification schemes like the Roundtable on Sustainable Palm Oil (RSPO) seek to promote sustainability, yet their reliance on host-state verification and voluntary compliance often limits their effectiveness as they often are unreliable or contested (RSPO 20115, 102).

Policy Recommendations and Global Implications

This paper has shown how legal frameworks, especially at a national level, have seen the creation of a "backdoor" where loopholes have benefited corporations, and local elites have sided with big enterprises to gain part of the profits. To bring accountability to a higher level, the expansion of the palm oil industry must be taken as a transnational issue, where TNCs and MNEs bear a responsibility. The decentralised power structure makes land grabbing conflicts more difficult to resolve, which is why solutions such as the Constellation of power proposed by Nesudroai can be a step forward to reach not only the big companies but also small stakeholders. Non-state actors, including NGOs, social investors and global brands, have

advanced sustainability through a "constellation" of transnational supply chains by supporting smallholders and thus disrupting existing power structures (Nesadurai 2018, 210). Non-state actors are not constrained by multi-stakeholder compromise, which in turn allows for more flexibility to push for meaningful change.

International frameworks such as the FPIC and the RSPO have led to progress, specifically when excluding the government from making more ambitious sustainability pledges. Furthermore, cases like Wilmar International showcase how land conflicts are manifestations of structural violence, exacerbated by the prioritisation of economic interests over human rights. To address this, Human Rights Watch (2019) recommends mandating firms to publicly reveal the names and locations of their plantations and suppliers as a way to ensure transparency in land acquisition. Amnesty International (2016) also advocates for mandatory, third-party labour inspections throughout supply chains, with sanctions for rights abuses. In sum, this case illustrates how Indonesia's palm oil economy is built on a foundation that systematically violates Human Rights, and without institutional reform that targets the informal collusion between companies and state actors, there is a risk that current development trajectories will continue to reproduce inequality and heighten climate degradation as production is prioritised over environmental preservation.

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