

# The price for maintaining Indonesia's palm oil industry hegemony

Thursday 7 July 2022, by [AFRA Sayyidatihiyaa](#), [AULIA Yassar](#) (Date first published: 7 July 2022).

**Pressured to solve the ongoing cooking oil crisis in Indonesia, President Joko Widodo [reshuffled](#) his cabinet and appointed Zulkifli Hasan to replace the previous Minister of Trade, Muhammad Lutfi.**

Many view this appointment as [merely strategic political consolidation](#) by Widodo instead of as a means to seriously handle the crisis. Zulkifli is a prominent party leader of the National Mandate Party (PAN), one of the large political parties that recently joined Widodo's [big government coalition](#).

Whatever the original intention, Zulkifli is undoubtedly far from the right person for the job. Just a couple of days after being appointed, [he claimed](#) that there was no "mafia" behind the cooking oil crisis. He deliberately ignored the fact that in April the Attorney General named four suspects in a [corruption case](#) regarding the approval for exporting crude palm oil. A high-ranking official from the Ministry of Trade allegedly received bribes from separate individuals from Wilmar Nabati Indonesia, Permata Hijau Group, and Musim Mas to grant export licenses without them having to adhere to domestic market obligations beforehand. According to Ministry of Trade Regulation No. 33/2022, to obtain an export permit, palm oil companies are required to deposit 30% of their total crude palm oil production for the needs of the Indonesian domestic market. Wilmar Nabati Indonesia, Permata Hijau Group, and Musim Mas are among Indonesia's [major palm oil producers](#) and have repeatedly received special treatment from the government, notably in the form of massive [incentives](#) or subsidies.

It is also important to note that as Minister of Forestry in 2009-2014, Zulkifli [had a track record](#), converting up to 1,64 million hectares of forests for oil palm plantations, benefitting the interests of palm oil giants in doing so. It is especially concerning to see that the current Ministry of Trade won't publicly acknowledge that the roots of the cooking oil crisis stem from how the palm oil industry operates in Indonesia. The ministry also has a track record of appeasing the interests of said industry.

The mismanagement of the palm oil industry in Indonesia has a long history, coloured by corruption and government collusion with palm oil oligarchs. [Tania Li and Pujo Semedi](#) observed that the prevalence of palm oil plantations was not due to agronomic superiority or productive efficiency but by political support: through the political economy, political technology, and a regime of impunity that is characteristic of Indonesia's political environment.

In that regard, we can't trust the government to adequately solve the cooking oil crisis since it was mainly their own creation. The nationwide scarcity of cooking oil that sparked the crisis was not a bug but a feature of Indonesia's [palm oil oligopoly](#). The oligopoly, in part, is maintained through Widodo's "[new developmentalism](#)" ideology which puts deregulated capitalism at the forefront of governing every public sector, including palm oil management.

In 2010, the Indonesian Business Competition Supervisory Commission (KPPU) determined that 20 cooking oil producers were [involved in cartel practices](#) and export more than 90% of their products due to weak supervision by the government. However, the Indonesian “political technology” succeeded in defeating the KPPU at the Supreme Court, resulting in a failure to improve control and management of the cooking oil supply chain in Indonesia.

Through a [subsidy scheme](#) by the government, the palm oil company that allocates their crude palm oil for biodiesel, will be compensated heavily. The same scheme is unavailable if crude palm oil is allocated for cooking oil purposes. This, in turn, decreases the allocation of crude palm oil for cooking oil and lowers available stock, hence triggering the crisis.

Technically speaking, this subsidy scheme—which started in 2016, didn’t have a proper legal basis when it was implemented. The relevant Law (No. 39/2014) doesn’t specify whether the government can allocate the palm oil funds for biodiesel incentives. However, subsequent implementing regulations (Government Regulation No. 24/2015 & Presidential Decree No. 61/2015) allowed it to. This contradicts the legal systems hierarchy of laws in which implementing regulations cannot regulate things that are not explicitly mentioned by the higher laws. Recently, this legally dubious provision was entrenched in the controversial [Law No. 11/2020 on Job Creation](#)—which was created behind closed doors without any semblance of meaningful participation from the public. This law-making process was later [deemed](#) to violate the Indonesian constitution by the Constitutional Court.

To face the cooking oil crisis seriously means untangling the [complex web](#) that maintains the hegemony of palm oil oligarchy. This web encompasses minimal supply chain oversight, rampant corruption by the government and the palm oil industry, and the haphazard adoption of a neoliberal ideology that sacrifices anything for the sake of profit—including public welfare and environmental sustainability. We need to remodel Indonesia’s political and economic system so it can accommodate justice and equity for all.

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