

Reforming the Roots: Can Legal Challenges Transform the Crude Palm Oil Industry in Indonesia and Malaysia?

Rosyidi Hamzah^a  , **Fadhel Arjuna Adinda**^{a, b} ,
Teguh Rama Prasja^a , **Mohd Izzat Bin Mohd Abd Shukur**^c ,
Dodo Wiradana Wiriartma^a 

^a Faculty of Law, Universitas Islam Riau, Indonesia

^b Faculty of Law, Universitas Padjadjaran, Indonesia

^c Kolej Profesional MAIWP, Malaysia

 corresponding email: rosyidihamzah@law.uir.ac.id

Abstract

The crude palm oil (CPO) industries in Indonesia and Malaysia, two of the world's leading producers, are confronted with persistent legal challenges concerning environmental sustainability, land tenure, and labor rights. Even though there is more global attention and pressure for sustainable production, the laws and regulations in Indonesia and Malaysia are still disorganized and often not strong enough to address the negative environmental and social effects of the crude palm oil industry. This paper critically examines the effectiveness of existing legal instruments and recommends comprehensive, enforceable reforms to align national practices with evolving global sustainability standards. This paper analyzes the legal challenges within the CPO sector and explores potential law reforms to enhance the industry's sustainability and ethical standards. By conducting a comparative analysis of Indonesian and Malaysian legal systems, the study identifies gaps in regulatory

enforcement, the role of multinational corporations, and the influence of international trade agreements. The urgency of this research is underscored by escalating environmental degradation, human rights violations, and the growing demand for corporate accountability—issues that threaten the long-term viability of the CPO industry. The global shift towards sustainable sourcing has intensified scrutiny of palm oil production, highlighting the need for robust legal reforms to balance economic growth with environmental and social responsibility. This research not only helps clarify the current legal landscape but also provides critical recommendations for reforms that align the industry with global sustainability goals. By exploring both countries' legal practices, the study aims to serve as a catalyst for policymakers, legal practitioners, and industry stakeholders to rethink and reshape regulatory frameworks, ensuring a more sustainable and equitable future for the CPO industry.

Keywords

Crude Palm Oil (CPO), Legal Reform, Environmental Sustainability, Land Rights, Labor Practices.

HOW TO CITE:

Chicago Manual of Style Footnote:

- ¹ Rosyidi Hamzah, Fadhel Arjuna Adinda, Teguh Rama Prasja, Mohd Izzat Bin Mohd Abd Shukur, Dodo Wiradana Wiriata, "Reforming the Roots: Can Legal Challenges Transform the Crude Palm Oil Industry in Indonesia and Malaysia?," *Journal of Law and Legal Reform* 7, no 1 (2026): 113-160, <https://doi.org/10.15294/jllr.v7i1.22161>.

Chicago Manual of Style for Reference:

Hamzah, Rosyidi, Fadhel Arjuna Adinda, Teguh Rama Prasja, Mohd Izzat Bin Mohd Abd Shukur, Dodo Wiradana Wiriata. "Reforming the Roots: Can Legal Challenges Transform the Crude Palm Oil Industry in Indonesia and Malaysia?." *Journal of Law and Legal Reform* 7, no 1 (2026): 113-160. <https://doi.org/10.15294/jllr.v7i1.22161>.

Introduction

The palm oil industry in Southeast Asia, particularly in Indonesia and Malaysia, plays a critical role in the global market, driving both economic growth and social development.¹ As the two largest producers of crude palm oil (CPO), these countries have established a dominant position in the global supply chain. However, this dominance comes with a significant set of challenges, especially regarding environmental sustainability, labor practices, and land use.² The industry's rapid expansion has led to widespread deforestation, biodiversity loss, and exploitation of workers, raising questions about the future of palm oil production.³ Despite its economic benefits, the industry faces increasing scrutiny from environmental organizations, consumers, and governments, who are demanding greater accountability and reform. In light of these issues, it is imperative to balance the economic interests with sustainable development practices through comprehensive legal frameworks and stricter enforcement mechanisms to ensure the long-term viability of both the industry and the ecosystems it depends on.

While the palm oil industry contributes substantially to the economies of Indonesia and Malaysia—creating jobs, generating revenue, and stimulating rural development—its environmental and social costs have become increasingly apparent.⁴ In Indonesia, palm oil

¹ Helena Ivancic, and Lian Pin Koh. "Evolution of sustainable palm oil policy in Southeast Asia." *Cogent Environmental Science* 2, no. 1 (2016): 1195032.

² Muhammad Arsyad, et al. "Competitiveness of palm oil products in international trade: an analysis between Indonesia and Malaysia." *Caraka Tani: Journal of Sustainable Agriculture* 35, no. 2 (2020): 157-167; Birka Wicke, et al. "Exploring land use changes and the role of palm oil production in Indonesia and Malaysia." *Land Use Policy* 28, no. 1 (2011): 193-206.

³ Dian Afriyanti, Carolien Kroeze, and Asmadi Saad. "Indonesia palm oil production without deforestation and peat conversion by 2050." *Science of the Total Environment* 557 (2016): 562-570; Ishani Mukherjee, and Benjamin K. Sovacool. "Palm oil-based biofuels and sustainability in southeast Asia: A review of Indonesia, Malaysia, and Thailand." *Renewable and Sustainable Energy Reviews* 37 (2014): 1-12.

⁴ Almasdi Syahza, "The potential of environmental impact as a result of the development of palm oil plantation." *Management of Environmental Quality: An International Journal* 30, no. 5 (2019): 1072-1094; Almasdi Syahza, et al. "The Impact of Small-Scale Oil Palm Plantation Development on the Economy

production is a primary driver of deforestation in the rainforest regions of Borneo and Sumatra.⁵ In Malaysia, the expansion of oil palm plantations has led to concerns over land grabs, indigenous rights, and poor working conditions.⁶ These issues have ignited debates on whether the current model of palm oil production is sustainable in the long run. Despite efforts to address these challenges, such as certification programs and environmental regulations, progress remains slow, with the industry's underlying practices largely unchanged.

One promising avenue for addressing the industry's challenges is through legal frameworks and judicial action. Legal challenges, whether brought by environmental groups, indigenous communities, or government actors, have the potential to reshape the palm oil sector by holding corporations accountable for their environmental and social impacts. Recently, both Indonesia and Malaysia have witnessed a growing number of legal battles over issues such as land rights, deforestation, and the treatment of workers. These legal challenges not only expose the flaws in the current regulatory frameworks but also offer a way forward in addressing the industry's most pressing problems.⁷

The role of legal challenges in shaping the palm oil industry is becoming increasingly important, as both countries attempt to balance economic interests with environmental and social responsibility. For example, in Indonesia, the government has introduced stricter

Multiplier Effect and Rural Communities Welfare." *International Journal of Sustainable Development & Planning* 18, no. 5 (2023).

⁵ David LA Gaveau, et al. "Rapid conversions and avoided deforestation: examining four decades of industrial plantation expansion in Borneo." *Scientific Reports* 6, no. 1 (2016): 32017; Fatwa Ramdani, and Masateru Hino. "Land use changes and GHG emissions from tropical forest conversion by oil palm plantations in Riau Province, Indonesia." *PloS one* 8, no. 7 (2013): e70323.

⁶ Vivien WC Yew, et al. "The sustainability of oil palm industry in Malaysia: A comprehensive review." *Journal of Economic & Management Perspectives* 10, no. 4 (2016): 305-310; Abdelnaser Omran, and Odile Schwarz-Herion. "Deforestation in Malaysia: the current practice and the way forward." *Sustaining our Environment for Better Future: Challenges and Opportunities* (2020): 175-193.

⁷ See N. Sylvia, et al. "Challenges and possibilities of implementing sustainable palm oil industry in Indonesia." *IOP Conference Series: Earth and Environmental Science*. Vol. 969. No. 1. IOP Publishing, 2022; Josi Khatarina, "Palm oil in Indonesia and natural resources management: Why the lack of a legal framework?." *Australian Journal of Asian Law* 19, no. 1 (2018): 131-147.

regulations on deforestation and land use, while NGOs and local communities have pursued legal action against companies for violating land rights. Similarly, in Malaysia, legal challenges related to the exploitation of migrant workers on palm oil plantations have sparked debates on labor rights and corporate accountability. These cases provide an opportunity for legal reforms to instigate changes within the industry by forcing companies to adopt more sustainable and ethical practices.

Despite these developments, there remains a significant gap in the literature regarding the potential for legal challenges to drive meaningful transformation in the crude palm oil industry in both Indonesia and Malaysia. While much has been written about the environmental impacts of palm oil production and the economic significance of the industry, less attention has been paid to the role of legal interventions in shaping its future. The existing research predominantly focuses on the macroeconomic implications of palm oil trade or the ecological consequences of deforestation, with limited analysis of the intersection between law, policy, and corporate behavior in the palm oil sector.⁸ Based on these gaps, this paper argues for a balanced approach to reform, advocating for the development of robust legal structures that can address both environmental and social concerns while ensuring the long-term economic sustainability of the industry. Such an approach would require integrating regulatory frameworks with corporate responsibility, creating a system that aligns the interests of stakeholders, promotes transparency, and fosters meaningful change

⁸ Erik Meijaard, et al. "The environmental impacts of palm oil in context." *Nature Plants* 6, no. 12 (2020): 1418-1426; Elías Cisneros, Krisztina Kis-Katos, and Nunung Nuryartono. "Palm oil and the politics of deforestation in Indonesia." *Journal of Environmental Economics and Management* 108 (2021): 102453; Chelsea Petrenko, Julia Paltseva, and Stephanie Searle. "Ecological impacts of palm oil expansion in Indonesia." *Washington (US): International Council on Clean Transportation* (2016): 1-21; Varsha Vijay, et al. "The impacts of oil palm on recent deforestation and biodiversity loss." *PloS one* 11, no. 7 (2016): e0159668; Farzad Taheripour, Thomas W. Hertel, and Navin Ramankutty. "Market-mediated responses confound policies to limit deforestation from oil palm expansion in Malaysia and Indonesia." *Proceedings of the National Academy of Sciences* 116, no. 38 (2019): 19193-19199; Shasha Teng, Kok Wei Khong, and Norbani Che Ha. "Palm oil and its environmental impacts: A big data analytics study." *Journal of Cleaner Production* 274 (2020): 122901.

This gap in the literature indicates a need to investigate the potential role of legal challenges in driving transformation within the palm oil industry. Legal changes and court actions could offer another way to tackle the deep-rooted problems in the palm oil industry, working alongside voluntary sustainability efforts and current regulations.⁹ Moreover, legal challenges could establish a framework for enhanced corporate responsibility, prioritizing environmental, social, and human rights considerations alongside profit motives.¹⁰ Understanding the dynamics of these legal battles, as well as their potential to create lasting change, is critical to addressing the complex problems facing palm oil production.¹¹ Furthermore, Indonesia and Malaysia, as neighboring countries, hold a competitive advantage in crude palm oil (CPO) production. However, the presence of palm oil plantations in these nations has significant social and environmental impacts. These plantations operate under distinct legal regimes—Malaysia follows Malaysian law, and Indonesia adheres to Indonesian law. Harmonizing legal standards between the two countries is crucial, particularly in areas such as labor, environment, forestry, community relations, and corporate responsibility. The challenges faced by palm oil plantations in both countries are similar, and aligning legal frameworks is necessary to

⁹ Piers Gillespie, “The challenges of corporate governance in Indonesian oil palm: opportunities to move beyond legalism?,” *Asian Studies Review* 36, no. 2 (2012): 247-269.

¹⁰ Adi Wijayanto, Hatta Acarya Wiraraja, and Siti Aminah Idris. “Forest Fire and Environmental Damage: The Indonesian Legal Policy and Law Enforcement.” *Unnes Law Journal* 8, no. 1 (2022): 105-132; Widodo Dwi Putro, and Adriaan W. Bedner. “Ecological Sustainability from a Legal Philosophy Perspective.” *Journal of Indonesian Legal Studies* 8, no. 2 (2023): 595-632; Nugroho Trisnu Brata, Dewi Liesnoor Setyowati, and Khasan Setiaji. “Agrarian Conflict Resolution, Forestry Companies Versus Plantation Companies in North Kalimantan.” *Komunitas Internasional Journal of Indonesian Society and Culture* 14, no. 1 (2022): 66-76; R. Arifin, R. Rodiyah, and R. Wulansarie. “Climate Justice in Indonesian Environmental Protection: Past, Present and Future Challenges.” *IOP Conference Series: Earth and Environmental Science*. Vol. 1248. No. 1. IOP Publishing, 2023.

¹¹ Denis J. Murphy, “Future prospects for oil palm in the 21st century: Biological and related challenges.” *European Journal of Lipid Science and Technology* 109, no. 4 (2007): 296-306. See also Alain Rival, and Patrice Levang. *Palms of controversies: Oil palm and development challenges*. CIFOR, 2014.

improve the global image of CPO. Palm oil in both countries has been criticized for environmental damage, leading to declining prices on the global market, despite European countries being the largest consumers. As a result of these negative perceptions, both countries often sell CPO through third parties, such as the Netherlands, which markets the product as meeting international standards. Law and business are intricately connected, with legal reforms playing a pivotal role in enhancing the quality standards of CPO production in Indonesia. The urgency of this research stems from the critical juncture the palm oil industry finds itself in. As global demand for palm oil continues to rise, so too does the pressure on Indonesia and Malaysia to demonstrate greater sustainability and ethical practices. At the same time, the industry faces mounting international pressure to comply with environmental and human rights standards.¹² Legal challenges present an opportunity to accelerate these reforms, forcing the industry to evolve in response to public and governmental demands. Without such interventions, the risks associated with palm oil production, including environmental degradation, social unrest, and market instability, will only intensify.

This paper aims to explore the role of legal challenges in transforming the crude palm oil industry in Indonesia and Malaysia, focusing on their potential to address the environmental, social, and economic dynamics that shape the sector. The central research question—whether legal challenges can drive transformation in the industry—will be examined through a detailed analysis of recent legal cases and their implications for corporate practices and public policy. By investigating the ways in which legal action can influence industry behavior, this study seeks to offer previously unknown perspectives on the potential for law to be an agent of change in one of the most economically significant and controversial industries in the world.

In doing so, this paper will contribute to the growing body of literature on the intersection of law, sustainability, and corporate governance in the palm oil industry. By focusing specifically on

¹² Eko Yuliyanto, Maftukhatul Muna Alatiqoh, and Ahmad Husain Alfaruq. “Inter-correlation between Human Rights and Environmental Justice: A Discourse of Right to a Good and Healthy Environment in Indonesia.” *Indonesian Journal of Environmental Law and Sustainable Development* 1, no. 2 (2022): 213-236.

Indonesia and Malaysia, the two largest producers of crude palm oil, the study will provide a comparative analysis of legal challenges in both countries, identifying key trends, challenges, and opportunities for reform. Ultimately, this research will argue that legal challenges, while not a panacea, have the potential to drive meaningful change in the palm oil industry, promoting more sustainable, ethical, and responsible practices that can benefit both the environment and the people who depend on this vital industry.

Previous research on the palm oil industry highlights several critical issues related to sustainability, legal frameworks, and socio-environmental impacts. The study by Ahmad Dermawan, Otto Hospes, and C.J.A.M. Termeer, published in *Forest Policy and Economics*, titled “Between Zero-Deforestation and Zero-Tolerance from the State: Navigating Strategies of Palm Companies in Indonesia,” focuses on the government’s zero-deforestation policy and its implications for palm oil companies in Indonesia. The research emphasizes how adherence to this policy can enhance corporate credibility and align businesses with environmental regulations. This investigation illuminates the challenges companies face in balancing regulatory compliance with sustainable practices, offering insight into the role of state policies in shaping corporate behavior within the palm oil sector.¹³

The research by Petir Papilo et al., published in *Heliyon* as “Palm Oil-Based Bioenergy Sustainability and Policy in Indonesia and Malaysia: A Systematic Review and Future Agendas,” looks at the environmental effects of palm oil production, especially problems like deforestation, CO₂ emissions, and the decline of air and water quality. The study addresses both the environmental and social impacts of palm oil expansion in Indonesia and Malaysia, emphasizing the need to institute sustainable practices in the sector. This work contributes to the discourse by linking environmental sustainability with policy frameworks and

¹³ Ahmad Dermawan, Otto Hospes, and C. J.A.M. Termeer, “Between Zero-Deforestation and Zero-Tolerance from the State: Navigating Strategies of Palm Oil Companies of Indonesia,” *Forest Policy and Economics* 136 (March 1, 2022), <https://doi.org/10.1016/j.forpol.2022.102690>.

offering recommendations for future governance of the palm oil industry.¹⁴

Afrizal, Eka Vidya Putra, and Linda Elida's study, published in *Land Use Policy*, titled "Palm Oil Expansion, Insecure Land Rights, and Land-Use Conflict: A Case of Palm Oil Centers in Riau, Indonesia," explores the social and legal conflicts arising from palm oil expansion in Indonesia. The study reveals the illegal and exploitative practices by companies, such as coercion and manipulation of local landowners, as well as the complicity of local government officials in facilitating land dispossession. This research points out the value of secure land rights and the need for stronger regulatory frameworks to prevent such conflicts and ensure fair land use practices in the palm oil industry.¹⁵

In a similar vein, Rini Astuti et al.'s study, published in *Land Use Policy* and titled "Making Illegality Visible: The Governance Dilemmas Created by Visualising Illegal Palm Oil Plantations in Central Kalimantan, Indonesia," investigates the widespread issue of illegal land clearing for palm oil plantations. The research emphasizes the long-term socio-ecological and legal consequences of illegal plantations, as well as the environmental degradation caused by unsanctioned activities. The study also touches on the government's response to such issues, including the potential for land amnesty programs to convert illegal plantations into legal ones. This research helps explain the governance challenges associated with palm oil production in regions with weak regulatory enforcement.¹⁶

Lastly, the study by Zainan Haryati et al., published in *Sustainable Production and Consumption* under the title "Social Life Cycle

¹⁴ Petir Papilo et al., "Palm Oil-Based Bioenergy Sustainability and Policy in Indonesia and Malaysia: A Systematic Review and Future Agendas," *Heliyon* 8, no. 10 (October 1, 2022), <https://doi.org/10.1016/j.heliyon.2022.e10919>.

¹⁵ Eka Vidya Putra Afrizal, and Linda Elida, "Palm Oil Expansion, Insecure Land Rights, and Land-Use Conflict: A Case of Palm Oil Centre of Riau, Indonesia," *Land Use Policy* 146 (November 1, 2024), <https://doi.org/10.1016/j.landusepol.2024.107325>.

¹⁶ Rini Astuti et al., "Making Illegality Visible: The Governance Dilemmas Created by Visualising Illegal Palm Oil Plantations in Central Kalimantan, Indonesia," *Land Use Policy* 114 (March 1, 2022), <https://doi.org/10.1016/j.landusepol.2021.105942>.

Assessment of Crude Palm Oil Production in Malaysia,” focuses on the social sustainability aspects of palm oil production. It looks at how palm oil plantations affect human rights, child labor, health, and safety standards in Malaysia. The study emphasizes the necessity of stronger policies to protect workers and communities involved in palm oil production, advocating for a more comprehensive approach to ensuring the sustainability of the industry from a social perspective.¹⁷

Building on the findings of these studies, this research introduces a novel perspective by proposing the need for cross-sectoral regulatory frameworks that address the ongoing challenges in the palm oil industry. The current literature primarily focuses on discrete issues, including labor practices, environmental impact, and land use conflicts; however, there is a deficiency in the integration of these concerns into a unified regulatory framework. This study argues for the development of a unified set of regulations that encompasses worker protection, safety, health, taxation, and intersectoral governance. By consolidating these areas under one comprehensive legal framework, the implementation of regulations can be optimized, leading to more effective enforcement and better outcomes for both the industry and the surrounding communities.

The contribution of this research lies in its novel exploration of legal interventions in the palm oil sector. By focusing on Indonesia and Malaysia, this study will provide new insights into the ways legal challenges can reshape the industry, offering practical recommendations for policy makers, industry stakeholders, and civil society actors. This research will not only fill the gap in existing literature regarding the impact of legal challenges on the palm oil industry, but it will also enhance our understanding of the role of law in promoting corporate accountability and sustainability in a globally significant industry.

¹⁷ Zainal Haryati et al., “Social Life Cycle Assessment of Crude Palm Oil Production in Malaysia,” *Sustainable Production and Consumption* 29 (January 1, 2022): 90–99, <https://doi.org/10.1016/j.spc.2021.10.002>.

A. The Crude Palm Oil Industry: Background and Current Landscape

The palm oil industry in Indonesia and Malaysia is one of the most economically significant sectors in Southeast Asia. As the world's largest producers of crude palm oil (CPO), these two countries have entrenched their dominance in the global supply chain. In 2022, Indonesia and Malaysia together accounted for approximately 85% of the world's palm oil production, highlighting the strategic importance of the sector.¹⁸ The industry contributes significantly to both nations' GDP, providing employment to millions of workers and generating substantial export revenues. In Malaysia, for example, palm oil exports contributed nearly USD 10 billion to the national economy in 2022, while in Indonesia, the palm oil industry is responsible for about 3% of the country's GDP.¹⁹

The global demand for palm oil continues to rise, driven by its widespread use in food products, cosmetics, biofuels, and household goods. This demand has led to a rapid expansion of oil palm plantations across Southeast Asia. Indonesia is the world's largest exporter of palm oil, with Malaysia trailing closely behind. The European Union and India remain key export markets, with significant volumes also shipped to China, the Middle East, and Africa. According to data from the Indonesian Palm Oil Association (GAPKI), Indonesia's palm oil export value reached USD 24.5 billion in 2021, underscoring the scale of the industry's international reach. The steady demand for palm oil has resulted in a high degree of economic dependency on the sector in both

¹⁸ Zahratul Widad, "Analysis determinants of Indonesian palm oil export volume to ten major destination countries." *JIDE: Journal Of International Development Economics* 1, no. 2 (2022): 94-110.

¹⁹ See Muhammad Iqbal Firdaus, "Palm Oil Industry." *The Palm Oil Export Market: Trends, Challenges, and Future Strategies for Sustainability* (2025): 32; Xiu Wei Yeap, Sook Rei Tan, and Hooi Hooi Lean. "Uncovering Interdependencies Between Crude Palm Oil Commodity and ASEAN-5 Equity Markets: A Time-Frequency Connectedness Analysis." *Economic Growth and Development in the Tropics*. (London: Routledge, 2024), pp. 223-249.

countries, reinforcing the political and economic importance of palm oil production.²⁰

The key players in the palm oil industry in Indonesia and Malaysia include both large multinational corporations and smallholder farmers. Prominent companies such as Wilmar International, Sime Darby, and IOI Corporation dominate the industry, controlling large-scale plantations and processing facilities.²¹ These corporations not only play a crucial role in production but also have significant influence over market prices, labor practices, and environmental standards. On the other hand, smallholder farmers—particularly in Indonesia—account for a substantial portion of palm oil production, yet they often face challenges in terms of access to markets, resources, and technological support. While large corporations benefit from economies of scale and access to international markets, smallholders struggle with lower productivity and vulnerability to market fluctuations, further exacerbating the inequality within the industry.

The palm oil sector in both Indonesia and Malaysia face a number of significant challenges that threaten its sustainability and growth. One of the most pressing issues is the environmental impact of oil palm plantations. Deforestation is a key concern, particularly in Indonesia, where vast tracts of tropical rainforests have been cleared to make way for oil palm plantations. According to a 2020 report from the World Wildlife Fund (WWF), Indonesia lost 3.3 million hectares of forest cover between 2000 and 2018, much of which was converted into palm oil plantations. This deforestation has led to the destruction of critical habitats for endangered species such as orangutans, tigers, and elephants, and has significantly contributed to the loss of biodiversity.²²

²⁰ Ramadani Mustafa, “Pengaruh Harga CPO (Crude Palm Oil) Di Global Market Terhadap Harga Minyak Goreng di Pasar Domestik.” *Sibatik Journal: Jurnal Ilmiah Bidang Sosial, Ekonomi, Budaya, Teknologi, Dan Pendidikan* 1, no. 8 (2022): 1565-1574.

²¹ Vivek Voora, et al. *Global market report: Palm oil*. (Manitoba, Canada: International Institute for Sustainable Development, 2019).

²² Joss Lyons-White, and Andrew T. Knight. “Palm oil supply chain complexity impedes implementation of corporate no-deforestation commitments.” *Global Environmental Change* 50 (2018): 303-313; Joshua M. Linder, and Rachel E. Palkovitz. “The threat of industrial oil palm expansion to primates and their habitats.” *Ethnoprimateology: Primate conservation in the 21st century* (2016): 21-45;

Beyond deforestation, palm oil production is a major contributor to greenhouse gas emissions. The clearing of forests for plantations often involves the burning of large areas of land, a practice that not only releases carbon dioxide into the atmosphere but also leads to severe air pollution.²³ In 2019, the Indonesian government reported that forest fires linked to palm oil production were responsible for nearly 30% of the country's total carbon emissions, exacerbating the global climate crisis. Environmental experts have warned that unless the industry adopts more sustainable practices, its contribution to climate change will continue to rise, undermining global efforts to mitigate warming.²⁴

In addition to environmental concerns, the palm oil industry is grappling with significant social issues, particularly relating to land rights and labor conditions.²⁵ The expansion of palm oil plantations has often been accompanied by land grabs, where local communities and indigenous peoples lose access to their ancestral lands. A landmark case in 2018 saw the indigenous Dayak communities in Borneo successfully challenge the palm oil company PT Aditya Agroindo in the Indonesian courts for violating their land rights. Despite such victories, land disputes remain widespread, and many smallholders continue to struggle with

Cheng Hai Teoh, "Key sustainability issues in the palm oil sector." *International Finance Corporation, World Bank Group* (2010): 1-44.

²³ Lucas Reijnders, and Mark AJ Huijbregts. "Palm oil and the emission of carbon-based greenhouse gases." *Journal of Cleaner Production* 16, no. 4 (2008): 477-482.

²⁴ Jasmeet Lamba, Bhumi Gupta, and Sam Dzever. "Industrialization and global warming (a brief case analysis of palm oil production: Indonesia)." *24th International Euro-Asia Research Conference. Sustainable Development and Energy Transition: Asian and European Corporate Strategies in the wake of the 2008 Financial Crisis*. 2019; Ute Skiba, et al. "Oil palm plantations are large sources of nitrous oxide, but where are the data to quantify the impact on global warming?." *Current Opinion in Environmental Sustainability* 47 (2020): 81-88; Md Sujahangir Kabir Sarkar, Rawshan Ara Begum, and Joy Jacqueline Pereira. "Impacts of climate change on oil palm production in Malaysia." *Environmental Science and Pollution Research* 27 (2020): 9760-9770.

²⁵ Bondi Arifin, and Dhani Setyawan. "How palm oil industry is having a devastating impact on Indonesia's health, rainforests, and labor market." *International Journal of Environmental Science and Technology* 19, no. 12 (2022): 11775-11788; Norman Jiwan, "The political ecology of the Indonesian palm oil industry: A critical analysis." *The palm oil controversy in Southeast Asia: A transnational perspective* (2013): 48-75.

unclear or insecure land tenure, which hampers their ability to invest in and improve their plantations.

Labor conditions in the palm oil industry are also a critical concern, especially in Malaysia, where reports of exploitation of migrant workers have garnered international attention. In 2020, the United States banned palm oil imports from Malaysia's FGV Holdings, one of the country's largest producers, due to allegations of forced labor and human trafficking. According to Human Rights Watch, workers in palm oil plantations in both Malaysia and Indonesia face harsh conditions, including long working hours, low wages, and inadequate living conditions. The reliance on migrant labor, often from countries such as Bangladesh and Indonesia, exacerbates these issues, as many workers are subject to exploitative practices and lack the legal protections afforded to local laborers.²⁶

The economic dependency on palm oil has led to significant disparities within the industry, particularly between smallholders and large corporations. Smallholder farmers, who are essential to palm oil production in both Indonesia and Malaysia, often face challenges in improving their productivity due to a lack of access to financing, technology, and market information. According to a 2021 report from the International Finance Corporation (IFC), smallholders in Indonesia and Malaysia often earn below the poverty line, despite being crucial to the palm oil supply chain. Large corporations, by contrast, benefit from state support, subsidies, and preferential access to markets. This economic inequality has led to calls for greater support for smallholders,

²⁶ Evyta Rosiyanti Ramadhani, and Savira Anggraeni. "Women Workers in Palm Oil Industries: A Violation of Human Rights?." *Agricultural Law Issues in Multicultural Societies*: 163; Mazzlida Mat Deli, et al. "Issues of human resource in Malaysian palm oil industry." *International Journal of Academic Research in Progressive Education and Development* 12, no. 3 (2023): 1025-1032; Norman Jiwan, "The political ecology of the Indonesian palm oil industry: A critical analysis." *The palm oil controversy in Southeast Asia: A transnational perspective* (2013): 48-75; Ratih Ananda Putri Goestoro, "Access to judicial remedies for palm oil workers under poor working conditions in Indonesia." *Yuridika* 37, no. 1 (2022): 163-190.

including access to fair trade initiatives, capacity-building programs, and certification schemes that promote sustainability.²⁷

Despite these significant challenges, there have been efforts to address some of the industry's negative impacts through both legal and voluntary initiatives. In Indonesia, the government's Indonesian Palm Oil Pledge (IPOP) was established in 2014 to commit to zero deforestation and the protection of peatlands in the palm oil supply chain.²⁸ Similarly, the Roundtable on Sustainable Palm Oil (RSPO), an international certification body, has made strides in promoting sustainable practices among palm oil producers.²⁹ However, the effectiveness of these initiatives has been called into question. Critics argue that voluntary sustainability standards such as the RSPO often lack enforceability, and the pace of change remains slow. Dr. Chris Barr of the Rainforest Action Network has argued that a more robust regulatory framework, backed by legal accountability, is necessary to ensure that these commitments are upheld across the industry.

The palm oil industry is also under growing pressure from global consumers and governments to adopt more transparent and sustainable practices. The European Union, which is one of the largest importers of palm oil, has introduced regulations aimed at reducing the

²⁷ Yosuke Shigetomi, Yuichi Ishimura, and Yuki Yamamoto. "Trends in global dependency on the Indonesian palm oil and resultant environmental impacts." *Scientific Reports* 10, no. 1 (2020): 20624; Balu Nambiappan, et al. "Malaysia: 100 years of resilient palm oil economic performance." *Journal of Oil Palm Research* 30.1 (2018): 13-25; Lacour M. Ayompe, Marije Schaafsma, and Benis N. Egoh. "Towards sustainable palm oil production: The positive and negative impacts on ecosystem services and human wellbeing." *Journal of Cleaner Production* 278 (2021): 123914.

²⁸ Ahmad Dermawan, and Otto Hospes. "When the state brings itself back into GVC: The case of the Indonesian Palm Oil Pledge." *Global Policy* 9 (2018): 21-28; Shofwan Al Banna Choiruzzad, Adam Tyson, and Helena Varkkey. "The ambiguities of Indonesian Sustainable Palm Oil certification: internal incoherence, governance rescaling and state transformation." *Asia Europe Journal* 19, no. 2 (2021): 189-208.

²⁹ William F. Laurance, et al. "Improving the performance of the roundtable on sustainable palm oil for nature conservation." *Conservation Biology* 24, no. 2 (2010): 377-381; Greetje Schouten, and Pieter Glasbergen. "Creating legitimacy in global private governance: The case of the Roundtable on Sustainable Palm Oil." *Ecological Economics* 70, no. 11 (2011): 1891-1899.

environmental impact of palm oil imports, including a proposed ban on palm oil-based biofuels by 2030.³⁰ These developments have prompted calls for the industry to accelerate its adoption of more sustainable production methods. In response, some companies have pledged to implement traceability systems and reduce their carbon footprint, while others are investing in alternative technologies to mitigate the environmental impact of palm oil cultivation.

In addition, the crude palm oil industry in Indonesia and Malaysia remains a critical sector for both countries' economies but is increasingly confronting complex challenges. These challenges are multifaceted, involving environmental, social, and economic issues that have significant implications for both the industry and the global community.³¹ While efforts to address these issues through legal reforms and voluntary sustainability initiatives have been made, the road to a truly sustainable and equitable palm oil industry remains long. As the global demand for palm oil continues to grow, it is essential for stakeholders—governments, corporations, and civil society—to work together to create a framework that balances economic development with environmental and social responsibility.

B. Legal Challenges in the Palm Oil Industry

The legal landscape surrounding the palm oil industry in Indonesia and Malaysia is shaped by an intricate web of national regulations and international pressures that aim to address the environmental, social, and economic challenges inherent to palm oil production. As the industry

³⁰ Amzul Rifin, et al. "Assessing the impact of limiting Indonesian palm oil exports to the European Union." *Journal of Economic Structures* 9 (2020): 1-13. See also Abdul Hayy Haziq Mohamad, and Rossazana Ab-Rahim. "Europe Union Ban on Palm Oil: The Trend of Palm Oil Competitiveness and the Co-Integration on the Soybean and Rapeseed Oil." *International Journal of Business and Society* 25, no. 1 (2024): 260-283; Eka Kurnianingsih, Tety Rachmawati, and Gita Karisma. "Analysis of the Motives for the Ban on Exports of Indonesian Palm Oil Products by the European Union in 2017." *Global Local Interactions: Journal of International Relations* 4, no. 2 (2024): 68-83.

³¹ Adam Tyson, Helena Varkkey, and Shofwan Al Banna Choiruzzad. "Deconstructing the palm oil industry narrative in Indonesia: evidence from Riau Province." *Contemporary Southeast Asia* 40, no. 3 (2018): 422-448.

remains a key economic driver for both nations, the legal frameworks that govern palm oil production have become increasingly important in mitigating its detrimental impacts. One of the central legal interventions in Indonesia has been the moratorium on new palm oil plantations, which was introduced to curb deforestation and protect peatlands. This moratorium, which came into effect in 2018, restricts the expansion of oil palm plantations into primary forests and peatlands.³² While the initiative has been lauded as a positive step toward sustainable development, the implementation of the moratorium has been fraught with challenges. Reports indicate that enforcement remains inconsistent across different regions, with significant loopholes that allow companies to clear degraded lands for plantation expansion. Additionally, the requirement for environmental impact assessments (EIAs) under the Ministry of Environment and Forestry's regulations is often bypassed, leading to continued environmental degradation.³³

In Malaysia, environmental regulations governing deforestation and land-use change are similarly structured to ensure sustainable palm oil production. The Forest Conservation Act of 1984 and the Environmental Quality Act 1974 provide the legal basis for regulating land conversion and mitigating the environmental impact of palm oil plantations. However, the decentralization of forest management powers to state governments has resulted in inconsistent enforcement of these laws. States such as Sarawak and Sabah, which hold vast forested areas, have been accused of granting concessions to palm oil producers with insufficient regard for environmental safeguards. The establishment of the Malaysian Sustainable Palm Oil (MSPO) certification standard

³² Aline Mosnier, et al. *Palm oil and likely futures: Assessing the potential impacts of zero deforestation commitments and a moratorium on large-scale oil palm plantations in Indonesia*. Vol. 177. CIFOR, 2017; Arief A. Yusuf, Elizabeth L. Roos, and Jonathan M. Horridge. "Indonesia's Moratorium on Palm Oil Expansion from Natural Forests: Economy-Wide Impacts and the Role of International Transfers." *Asian Development Review* 35, no. 2 (2018): 85-112.

³³ John Boyle, "Cultural influences on implementing environmental impact assessment: insights from Thailand, Indonesia, and Malaysia." *Environmental Impact Assessment Review* 18.2 (1998): 95-116; Yoyon Wahyono, et al. "Assessing the environmental performance of palm oil biodiesel production in Indonesia: A life cycle assessment approach." *Energies* 13, no. 12 (2020): 3248.

represents an effort to impose sustainability criteria on palm oil production. Despite this, the MSPO's voluntary nature and limited enforcement capacity have raised concerns about its effectiveness in halting environmental destruction at scale.³⁴ Environmental NGOs such as Greenpeace and the Rainforest Action Network have criticized both Indonesia and Malaysia for failing to fully enforce their environmental regulations, and have called for more stringent, legally binding frameworks to ensure real change.

Land rights disputes have also been a significant area of legal challenge within the palm oil industry. Both in Indonesia and Malaysia, indigenous communities have been disproportionately affected by the expansion of palm oil plantations, with large swaths of ancestral land being appropriated without proper consultation or compensation. In Indonesia, the issue of land rights has been addressed through legal battles, such as the landmark Constitutional Court ruling, which recognized the rights of indigenous communities to customary land. This decision has paved the way for further legal actions by indigenous groups seeking to reclaim their land from palm oil companies.³⁵ However, the effectiveness of this ruling has been limited by weak enforcement mechanisms and the slow pace of legal reforms. In practice, many indigenous groups continue to face significant challenges in proving their land rights due to a lack of proper documentation and the dominance of state-owned enterprises in land allocation.

In Malaysia, land rights disputes have led to numerous legal cases involving indigenous groups, particularly in the states of Sarawak and Sabah. A well-known example is the case of the Penan community, who have fought legal battles against the state government and palm oil companies over the unlawful clearing of their ancestral lands. The

³⁴ Rosearnida Senawi, et al. "Transformation of oil palm independent smallholders through Malaysian sustainable palm oil." *Journal of Oil Palm Research* 31, no. 3 (2019): 496-507; Chee Guan Choong, and Alison McKay. "Sustainability in the Malaysian palm oil industry." *Journal of Cleaner Production* 85 (2014): 258-264.

³⁵ Herman Hidayat, et al. "Forests, law and customary rights in Indonesia: Implications of a decision of the Indonesian Constitutional Court in 2012." *Asia Pacific Viewpoint* 59, no. 3 (2018): 293-308; Sartika Intaning Pradhani, "Traditional rights of indigenous people in Indonesia: legal recognition and court interpretation." *Jambe Law Journal* 1, no. 2 (2018): 177-205.

Malaysian legal system, while offering avenues for land rights claims, has often been criticized for being slow and ineffective in protecting indigenous land.³⁶ The 1993 Land Acquisition Act and other land-use laws have been perceived as tools for facilitating the appropriation of land for plantation development, often at the expense of local communities. The role of legal action in securing land rights has been pivotal in highlighting these injustices, although these cases frequently drag on for years, and many indigenous groups remain vulnerable to land grabs.³⁷

Labor rights within the palm oils sector have become another critical area of legal scrutiny. In both Indonesia and Malaysia, labor laws exist to protect workers in the palm oil industry, but enforcement of these laws remains weak. The Indonesian Manpower Act and the 2011 Labor Law set out conditions for employment in plantation sectors, including minimum wages and working hours. However, reports continue to surface of poor working conditions, including low wages, long hours, child labor, and the lack of adequate health and safety protections. In Malaysia, the Employment Act of 1955 regulates labor standards, but many palm oil workers, particularly migrant labors, remain highly vulnerable to exploitation. Legal actions against companies like FGV Holdings, which was implicated in forced labor practices, demonstrate the growing international scrutiny on labor practices in the palm oil industry. Despite these legal protections, workers are often subject to exploitative practices, exacerbated by the reliance on migrant labor from countries such as Indonesia, Bangladesh, and Nepal, who face legal and social vulnerabilities.

³⁶ S. Robert Aiken, and Colin H. Leigh. "In the way of development: Indigenous land-rights issues in Malaysia." *Geographical Review* 101, no. 4 (2011): 471-496; S. Robert Aiken, and Colin H. Leigh. "Seeking redress in the courts: Indigenous land rights and judicial decisions in Malaysia." *Modern Asian Studies* 45.4 (2011): 825-875.

³⁷ Grace Xavier, "Land acquisition in Malaysia." *Taking land: compulsory purchase and regulation in Asian-Pacific countries*. University of Hawaii Press, Honolulu, HI (2002): 195-226; Noor Asyikeen Mohd Salleh, and Sik Cheng Peng. "Empirical study of land acquisition in Peninsular Malaysia: Achieving equilibrium on competing public and private interests." *UUM Journal of Legal Studies (UUMJLS)* 15, no. 2 (2024): 445-481.

Legal actions taken by workers and NGOs to address labor exploitation have gained increasing prominence in recent years. Human Rights Watch and other NGOs have documented widespread labor violations within the palm oil sector, including forced labor, debt bondage, and human trafficking. A notable example is the 2020 U.S. Customs and Border Protection (CBP) ban on palm oil imports from Malaysia's FGV Holdings, citing evidence of forced labor.³⁸ This legal action marked a significant step in holding palm oil producers accountable for their labor practices and has catalyzed discussions on how companies in the industry can improve workers' conditions. However, experts argue that while individual legal cases provide some relief, systemic reform is required to address the root causes of labor exploitation within the palm oil supply chain.

International actors and environmental organizations have increasingly leveraged legal avenues to pressure the palm oil industry toward greater sustainability. The European Union, for example, has introduced regulations that aim to curb the environmental and social impact of palm oil imports, including a proposed ban on the use of palm oil-based biofuels. These regulations represent a growing recognition of the need for legal frameworks to govern the palm oil trade in a way that prioritizes environmental protection and human rights. NGOs such as Greenpeace and the Rainforest Action Network have been instrumental in bringing legal cases against palm oil producers and traders for violations of environmental and labor standards, often through national courts or international trade disputes.³⁹ These actions, while impactful, highlight the need for stronger international regulatory frameworks to

³⁸ Abdul Razak Bin Abdul Hadi, "Case Analysis: FGV Holdings Berhad." *Ekonomi dan Bisnis* 8, no. 1 (2021): 70-77.

³⁹ Muhammad Arief Virgy, Yusa Djuyandi, and Wawan Budi Darmawan. "Greenpeace Indonesia's Transnational Advocacy Network Strategy Regarding the Issue of Deforestation in Indonesia's Forests by Wilmar International." *Journal of Political Issues* 1, no. 2 (2020): 74-91; D. Noor, "Indonesia Palm Oil as Issue Insight of Environmental Non-Governmental Organizations." *ICESSD 2019: Proceedings of the 1st International Conference on Environmental Science and Sustainable Development, ICESSD 2019, 22-23 October 2019, Jakarta, Indonesia*. European Alliance for Innovation, 2019.

ensure palm oil production meets sustainability criteria and human rights standards.

The role of legal challenges from international actors has also been significant in driving industry-wide change. Boycotts and trade restrictions, including the European Union's regulatory actions and consumer-driven demands for sustainably sourced palm oil, have pressured companies to adopt more transparent and responsible practices. Legal action against major companies has highlighted the significant environmental and social costs of palm oil production and has spurred greater accountability within the sector. However, some experts contend that while these legal challenges are important, they are not sufficient on their own to drive systemic change. A more comprehensive approach involving binding international agreements, stronger domestic regulations, and greater corporate accountability is needed to address the complex challenges of the palm oil industry.⁴⁰

The interplay between national legal frameworks, international regulations, and legal actions by NGOs and labor groups reveals the multifaceted nature of legal challenges in the palm oil sector. While progress has been made in raising awareness and enforcing existing regulations, significant gaps remain in terms of enforcement and accountability. The palm oil industry's environmental, social, and labor issues will require coordinated legal and regulatory efforts across multiple jurisdictions to achieve lasting, meaningful reform.⁴¹ As both Indonesia and Malaysia continue to navigate these complex legal issues, the growing role of legal challenges will likely be a key factor in shaping the future of the palm oil industry, promoting a more sustainable and ethical approach to production.

From a juridical perspective, the existing regulatory framework is fragmented, with insufficient legal enforcement to address the broader

⁴⁰ Pablo Pacheco, et al. "Governing sustainable palm oil supply: Disconnects, complementarities, and antagonisms between state regulations and private standards." *Regulation & Governance* 14, no. 3 (2020): 568-598; Michelle Limenta, "Palm oil for fuels: WTO rules and environmental protection." *Global Trade and Customs Journal* 15, no. 7 (2020).

⁴¹ Denis Ruysschaert, Caitriona Carter, and Emmanuelle Cheyns. "Territorializing effects of global standards: What is at stake in the case of 'sustainable' palm oil?." *Geoforum* 104 (2019): 1-12.

environmental and social concerns within the palm oil sector⁴². This highlights the need for comprehensive legal reform that not only strengthens enforceability but also aligns the palm oil industry's operations with international environmental and human rights standards. While Indonesia and Malaysia have introduced regulations like the IPOP and RSPO certification, these legal structures still lack the capacity to ensure full compliance and accountability across the entire supply chain, particularly with regard to labor rights, land tenure, and environmental protection. Without a more cohesive and enforceable legal framework, these voluntary commitments risk remaining symbolic rather than effective.

In addition, philosophically, these reforms and initiatives raise critical questions about the balance between economic development and sustainability. The palm oil industry remains a cornerstone of the economies of Indonesia and Malaysia, providing livelihoods for millions of people and driving economic growth. However, the philosophical dilemma arises in reconciling the industry's economic benefits with its environmental degradation and human rights violations. The question then becomes how to achieve a model of sustainable development that integrates economic progress with ethical considerations such as environmental preservation, social equity, and respect for human dignity. Addressing this dilemma requires a philosophical commitment to sustainability that transcends short-term profit motives and embraces long-term ecological and social well-being.

From a sociological standpoint, the palm oil industry has significant social implications, particularly for local communities and workers. The expansion of palm oil plantations has often resulted in land conflicts, displacement, and exploitation of workers, particularly in rural areas. These social challenges are further exacerbated by weak legal protections and the increasing complexity of global supply chains. As the global demand for palm oil continues to rise, it is essential to consider the

⁴² See Bayangsari Wedhatami, Ratih Damayanti, and Cindy Ayu Prasasi. "Navigating Regional Regulatory Changes in Indonesia: An In-Depth Analysis of Post-Amendment Implementation of Law Number 12 of 2011 on Legislation Formation." *Unnes Law Journal* 9, no. 2 (2023): 237-264; Irsan Rahman, et al. "Mineral and Coal Mining Regulatory Reform in Indonesia." *Journal of Law and Legal Reform* 6, no. 2 (2025): 499-568.

social justice dimensions of the industry, ensuring that the benefits of palm oil production are equitably distributed and that local communities are empowered rather than exploited. This requires a more inclusive approach to policy-making, where the voices of affected communities are heard and their rights are adequately protected.

The palm oil industry is also under growing pressure from global consumers and governments to adopt more transparent and sustainable practices. The European Union, one of the largest importers of palm oil, has introduced regulations aimed at reducing the environmental impact of palm oil imports, including a proposed ban on palm oil-based biofuels by 2030. These developments have prompted calls for the industry to accelerate the adoption of more sustainable production methods. In response, some companies have pledged to implement traceability systems and reduce their carbon footprint, while others are investing in alternative technologies to mitigate the environmental impact of palm oil cultivation.

C. The Potential for Legal Challenges to Drive Transformation

Legal challenges in the palm oil industry, particularly those aimed at enhancing environmental and social standards, have the potential to act as powerful catalysts for transformation.⁴³ In Indonesia and Malaysia, as well as in global markets, the increasing role of legal constraints on palm oil production is prompting companies to reconsider their environmental and labor practices. These legal pressures have the capacity to reshape the industry in significant ways, driving greater sustainability and accountability throughout the palm oil supply chain.

Stricter regulations have emerged as a key force in incentivizing more sustainable practices within the palm oil industry. The introduction of moratoriums on new plantations, mandatory

⁴³ N. Sylvia, et al. "Challenges and possibilities of implementing sustainable palm oil industry in Indonesia." *IOP Conference Series: Earth and Environmental Science*. Vol. 969. No. 1. IOP Publishing, 2022; Mohamad Nasir, Laurens Bakker, and Toon van Meijl. "Challenges to implementing oil palm plantation legislation in Indonesia." *The Theory and Practice of Legislation* 13, no. 1 (2025): 86-107.

environmental impact assessments, and tighter land use laws in both Indonesia and Malaysia have created an environment where palm oil companies must adapt or face potential legal consequences.⁴⁴ These legal constraints often push companies to adopt more sustainable practices, such as reducing deforestation, limiting the use of harmful pesticides, and implementing better waste management systems. For instance, Indonesia's moratorium on new palm oil plantations, which was implemented in 2018, directly impacted the expansion of the palm oil industry, forcing many companies to revisit their operations and adopt more sustainable land management practices. Similarly, stricter environmental regulations in Malaysia have led some plantation operators to improve their environmental management systems in response to increasing scrutiny from both domestic and international stakeholders.

The rise of certification programs, such as the Roundtable on Sustainable Palm Oil (RSPO), is another significant development driven by legal challenges. The RSPO has become a globally recognized certification standard for sustainable palm oil production, offering a way for producers to prove their commitment to environmental and social responsibility. While participation in the RSPO is voluntary, it has become increasingly important for companies seeking access to international markets, particularly in regions with strong environmental regulations, such as the European Union.⁴⁵ Certification programs like RSPO incentivize companies to adopt sustainable practices by linking their compliance with legal and market access requirements. These certifications also provide consumers with transparency, allowing them to make informed decisions and further driving demand for sustainable palm oil. However, critics argue that the RSPO, while a positive step, does not always go far enough in addressing the deeper environmental and social issues within the industry, particularly in cases where weak enforcement undermines the efficacy of the standards.

⁴⁴ Hanim Kamaruddin, Harlida Abdul Wahab, and Haslinda Mohd Anuar. "Legal and Non-legal Agricultural Practices: Toward a Sustainable Future in Malaysia's Palm Oil Industry." *Indonesia Law Review* 8, no. 3 (2018): 316-327.

⁴⁵ Greetje Schouten, and Pieter Glasbergen. "Creating legitimacy in global private governance: The case of the Roundtable on Sustainable Palm Oil." *Ecological Economics* 70, no. 11 (2011): 1891-1899.

Legal challenges are also playing a central role in driving corporate responsibility, particularly in the face of growing consumer awareness and legal pressures from international and domestic actors. Corporate social responsibility (CSR) has become a central tenet for large palm oil companies, as they are increasingly held accountable not only by governments but also by non-governmental organizations (NGOs), consumers, and international markets. The threat of legal action, particularly in regions with stringent environmental and labor regulations, has forced companies to reassess their business practices to mitigate legal risks. This dynamic is evident in the case of major palm oil producers such as Wilmar International, which has been under increasing pressure from environmental and human rights groups to improve its operations. Wilmar, in response to legal challenges and reputational risks, introduced a policy committing to traceable and sustainable palm oil sourcing, implementing measures to eliminate deforestation and human rights abuses from its supply chain. This corporate adaptation reflects the growing recognition that sustainable practices are not just ethical imperatives but business necessities driven by legal and market pressures.

Similarly, legal challenges have pushed other large palm oil companies to make significant changes to their practices. For example, companies like Golden Agri-Resources and Sime Darby Plantation have faced legal action from NGOs and environmental groups for their role in deforestation and labor exploitation. In response, these companies have implemented new sustainability policies, including commitments to zero deforestation and improved labor conditions on their plantations. Legal pressures from both domestic and international actors have made it clear that companies must align their practices with global standards to remain competitive and avoid legal liabilities. However, the impact of these legal challenges remains mixed, with critics arguing that corporate commitments to sustainability are often more focused on brand management and less on substantive, industry-wide change.

Legal reforms are an essential tool for promoting broader, systemic change across the palm oil industry. While individual legal challenges have been effective in holding companies accountable, the potential for comprehensive legal reforms to transform the industry lies in the

development of cohesive national and international legal frameworks. For example, the implementation of stronger environmental regulations and the standardization of land tenure laws across Indonesia and Malaysia could significantly reduce deforestation rates and empower indigenous communities to protect their land rights. Additionally, reforms aimed at ensuring fair wages, improving working conditions, and prohibiting the use of child labor would address widespread social issues within the industry. Comprehensive legal reforms could create a more level playing field for all players within the palm oil supply chain, particularly for smallholders who are often at a disadvantage in terms of resources and bargaining power. By introducing clear, enforceable legal standards that are uniformly applied, governments can provide greater incentives for both large corporations and smallholders to adopt sustainable practices.⁴⁶

One area where legal reforms can drive industry-wide change is in the alignment of palm oil regulations with international sustainability goals. The adoption of international trade agreements and sustainable supply chain standards, such as the European Union's regulation on deforestation-free products, could further reinforce the need for legal reforms in both Indonesia and Malaysia. These international frameworks exert external pressure on local governments to align their legal systems with global expectations, driving improvements in both environmental protection and social accountability. Similarly, trade agreements that include clauses related to sustainability standards for palm oil imports could create a more robust legal framework that encourages producers to adhere to best practices. Legal experts have argued that this kind of cross-border legal collaboration can help foster a more sustainable global palm oil market and ensure that both large corporations and smallholders are incentivized to adopt more responsible production methods.

As legal challenges continue to shape the palm oil industry, the intersection of domestic legal reforms and international pressure will likely determine the future trajectory of the sector. While both Indonesia

⁴⁶ Mohamad Nasir, Laurens Bakker, and Toon van Meijl. "Government Supervision of Oil Palm Plantations in Indonesia: Legal Issues and Proposed Remedies." *Law and Development Review* 18, no. 1 (2025): 1-31; Prisca Listiningrum, et al. "Juridical analysis of policy concerning oil palm estate management in Indonesia." *Legality: Jurnal Ilmiah Hukum* 29, no. 1 (2021): 16-26.

and Malaysia have made strides in addressing some of the industry's most pressing issues, the continued integration of legal reforms, both at the national and international levels, will be necessary to foster a more sustainable, equitable, and transparent palm oil industry. Collaboration between governments, corporations, and civil society will be crucial in ensuring that these legal reforms are effectively implemented and that the palm oil industry can meet the growing demand for ethically produced and environmentally sustainable products.

D. Challenges and Obstacles to Legal Transformation

The potential for legal challenges to drive meaningful transformation in the palm oil industry is undeniably significant, but it is not without considerable obstacles. While legal frameworks are in place to regulate the palm oil sector, various challenges hinder their effective implementation and enforcement. These challenges stem from both domestic factors—such as weak enforcement mechanisms and political resistance—and from global pressures that complicate the enforcement of legal reforms. Understanding these barriers is crucial in assessing how legal transformations can be achieved and sustained.

One of the most critical challenges to legal transformation in the palm oil industry is the weak enforcement of environmental and labor laws.⁴⁷ Both Indonesia and Malaysia have established regulatory

⁴⁷ See Johan Manullang, Christopher Adiguna Bhakti, Cut Mutia Sari, Muhammad Firmansyah, "From Palm Oil to Green Energy: Human Rights and Ecological Dilemmas in Energy Transitions". *Indonesian Climate Justice Review* 1, no. 3 (2024); Zulfikar Zulfikar, Harrison Wood, "Climate Change and Environmental Law: The Indonesian Court's Role in Enforcing Sustainable Development." *Indonesian Court and Justice Review* 2, no. 2 (2025); Rosyidi Hamzah, Fadhel Arjuna Adinda, "Indigenous Rights and Economic Justice in the Palm Oil Industry: Legal and Ethical Considerations in Indonesia". *Indonesian Economic Justice Review* 2, no. 4 (2025); Aqriel Thane Zafiroth, Nyssa Aurelith, "Environmental Health Justice and Extractive Industries: Legal Protection of Indigenous Communities in Indonesia's Mining Regions." *Indonesian Health Justice Review* 2, no. 4 (2025); Ahmad Subkhi, Agus Christmasco, "Human Rights and Climate Change in Indonesia: Legal Gaps in Protecting Climate-Vulnerable Communities". *Contemporary Issues on Indonesian Human Rights Law and Policy* 2, no. 1 (2025).

frameworks intended to mitigate environmental damage, protect labor rights, and regulate the expansion of palm oil plantations.

In Indonesia, the Environmental Protection and Management Law (Law No. 32/2009) mandates environmental impact assessments (EIAs) for large-scale industrial projects, including palm oil plantations. However, these regulations are often poorly enforced, rendering them ineffective. For example, although Indonesia has a moratorium on new palm oil plantations (implemented under Presidential Instruction No. 8/2018), enforcement is inconsistent across different regions, and loopholes often allow companies to continue expanding into environmentally sensitive areas. Additionally, the Forest Law (Law No. 41/1999), which regulates deforestation, has not been fully implemented, with widespread illegal logging and forest clearing still occurring.

Similarly, labor laws in both countries are not always upheld on the ground, with workers often subjected to unsafe conditions, long hours, and inadequate wages. The Indonesian Labor Law (Law No. 13/2003), for example, stipulates protections for workers, but enforcement is weak, and labor violations are common. In both countries, the absence of effective enforcement mechanisms weakens the deterrent effect of these regulations, making it difficult for legal challenges to produce long-term industry-wide change.

Corruption further exacerbates the enforcement challenges in both Indonesia and Malaysia.⁴⁸ The palm oil industry is often entangled with political and economic interests, leading to situations where regulatory agencies are reluctant to hold large corporations accountable.⁴⁹ In both countries, corruption has been reported within government bodies responsible for overseeing environmental and labor standards. Indonesia's Anti-Corruption Law (Law No. 30/2002) provides mechanisms for addressing corruption within the public sector, yet the palm oil industry remains deeply entrenched in local and national

⁴⁸ David Seth Jones, "Challenges in combating corruption in Malaysia: issues of leadership, culture and money politics." *Public Administration and Policy* 25, no. 2 (2022): 136-149.

⁴⁹ Peter Dauvergne, "The global politics of the business of "sustainable" palm oil." *Global Environmental Politics* 18, no. 2 (2018): 34-52.

politics.⁵⁰ In Malaysia, the Malaysian Anti-Corruption Commission (MACC), which seeks to combat corruption, has faced significant challenges in addressing corruption within the palm oil industry, especially at the local level.⁵¹ In some cases, plantation companies have been able to bypass or delay legal proceedings by leveraging political connections or financial resources. This systemic corruption undermines legal accountability and creates a significant barrier to the effective enforcement of existing laws. The high level of political influence exerted by the palm oil sector further complicates the enforcement of environmental and social standards, as legal challenges are often diluted or obstructed by vested interests.

Another significant obstacle to legal transformation in the palm oil industry lies in the conflicting interests between economic growth and environmental protection. Palm oil production is a major economic driver for both Indonesia and Malaysia, providing employment to millions of people and contributing significantly to GDP through exports. As such, governments in both countries often prioritize economic growth over environmental sustainability, seeing the palm oil industry as a crucial source of revenue. This tension between economic growth and environmental protection is particularly evident when policies intended to regulate palm oil expansion, such as the ban on new plantations in Indonesia, conflict with the desire for continued industrial development.⁵² While there is growing recognition of the environmental costs of palm oil production, including deforestation, biodiversity loss, and greenhouse gas emissions, the economic benefits of the industry

⁵⁰ Wigke Capri, et al. "Kajian Korupsi Sebagai Proses Sosial: Melacak Korupsi di Sektor Sumber Daya Alam di Indonesia." *Integritas: Jurnal Antikorupsi* 7, no. 1 (2021): 121-142; Mispansyah Mispansyah, and Nurunnisa Nurunnisa. "Penyalahgunaan Perizinan Perkebunan Sawit dalam Perspektif Tindak Pidana Korupsi." *Jurnal Ius Constituendum* 6, no. 2 (2021): 348-366.

⁵¹ A. Manan, et al. "Governance of Corruption: The Role of Malaysian Government in the Anti-Corruption Efforts." *International Journal of Academic Research in Business and Social Sciences* 12, no. 12 (2022): 1987-1999; Nurisyal Muhamad, and Norhaninah A. Gani. "A Decade of Corruption Studies in Malaysia." *Journal of Financial Crime* 27, no. 2 (2020): 423-436.

⁵² Herry Purnomo, et al. "Reconciling oil palm economic development and environmental conservation in Indonesia: A value chain dynamic approach." *Forest Policy and Economics* 111 (2020): 102089.

often overshadow these concerns in policy debates. Indonesia's Agrarian Reform Law (Law No. 5/1960) and Malaysia's National Land Code (Act 56/1965) both prioritize land use for agricultural development, particularly for palm oil, which complicates the implementation of more sustainable land-use regulations.

The challenge of balancing the needs of smallholders with the interests of large corporations adds another layer of complexity to legal reforms. In both Indonesia and Malaysia, a significant portion of palm oil is produced by smallholder farmers who depend on palm oil cultivation for their livelihoods. These smallholders, who often lack access to resources, legal knowledge, or technical support, are vulnerable to exploitation by large corporations. At the same time, large corporations dominate the industry, often with greater access to capital and legal support, enabling them to influence policy decisions in their favor. Legal reforms that aim to regulate the industry and promote sustainability must navigate these conflicting interests, ensuring that smallholders are protected while also holding corporations accountable for their environmental and labor practices. Achieving a fair balance between the needs of these two groups is a significant challenge for policymakers. For example, the Indonesian Palm Oil Smallholder Empowerment Law (Law No. 39/2014) aims to improve the welfare of smallholders but has faced implementation challenges due to its lack of enforcement mechanisms and the overwhelming power of large plantation companies.

Political resistance and policy inertia present another major hurdle to the transformation of the palm oil sector through legal means. Despite increasing domestic and international pressure for reform, significant political resistance remains to the implementation of stricter environmental and labor regulations. The palm oil industry, particularly in Malaysia, wields considerable political influence and has historically been a key player in shaping national policies. This influence has allowed the industry to resist meaningful reforms, often by lobbying government officials and leveraging economic arguments that emphasize the sector's role in job creation and economic development. Malaysia's Palm Oil Greenhouse Gas (GHG) emissions regulations have faced significant opposition from the palm oil industry, which argues that such measures could affect its competitiveness on the global market. Additionally,

policy inertia, characterized by slow decision-making processes and a lack of political will, hampers the ability of both countries to enact and enforce necessary legal reforms. In Indonesia, for example, despite the government's stated commitment to environmental protection, delays in the implementation of comprehensive regulations have allowed the palm oil sector to continue its expansion, undermining efforts to protect forests and indigenous lands.

The influence of multinational companies further complicates the political landscape. Large, multinational corporations in the palm oil industry, such as Cargill, Nestlé, and Unilever, play a substantial role in shaping national legislation and policy. These corporations often prioritize supply chain efficiency and cost-cutting over environmental and social concerns.⁵³ Their influence can shape regulatory frameworks in ways that favor industry growth rather than sustainability. For example, multinational companies may lobby against restrictions on palm oil plantations, arguing that such regulations will drive up costs and disrupt global supply chains. While some companies have made significant strides in adopting sustainability policies, their power within national political systems often results in legal frameworks that fall short of enforcing truly transformative change. The presence of these multinational interests makes it challenging for governments to pass and enforce laws that could meaningfully reduce environmental destruction or improve labor conditions. The RSPO (Roundtable on Sustainable Palm Oil) has emerged as an important voluntary certification, but the lack of binding legal regulations leaves room for multinational corporations to avoid significant changes.⁵⁴

Global economic pressures also play a significant role in shaping local legal systems in Indonesia and Malaysia. The demand for palm oil

⁵³ See Puvan Selvanathan, and Vani Sathisan. "Corporate sustainability and palm oil industries in Southeast Asia: A principled pragmatism." *Business and Human Rights in Southeast Asia*. (London: Routledge, 2014), pp. 121-132.

⁵⁴ William F. Laurance, et al. "Improving the performance of the roundtable on sustainable palm oil for nature conservation." *Conservation Biology* 24, no. 2 (2010): 377-381; Megan E. Cattau, Miriam E. Marlier, and Ruth DeFries. "Effectiveness of Roundtable on Sustainable Palm Oil (RSPO) for reducing fires on oil palm concessions in Indonesia from 2012 to 2015." *Environmental Research Letters* 11, no. 10 (2016): 105007.

on the international market, particularly for use in food products, biofuels, and cosmetics, places considerable pressure on both countries to maintain palm oil production at scale.⁵⁵ Despite growing concerns about the environmental and social impacts of palm oil cultivation, the global demand for the commodity continues to rise. This global demand puts pressure on national governments to avoid regulations that could reduce production capacity or raise costs. International trade agreements that favor palm oil exports or provide preferential treatment for palm oil-based products further complicate the ability of local legal systems to enact stricter regulations. These global market dynamics often lead to tensions between the need for local legal reforms and the drive to maintain competitiveness in the global market. The ASEAN Economic Community (AEC) trade agreements and World Trade Organization (WTO) rules that facilitate free trade of agricultural commodities often limit the capacity of national governments to impose stringent restrictions on palm oil production and trade.⁵⁶

In addition, while legal challenges hold significant potential to drive transformation in the palm oil industry, numerous obstacles impede their effectiveness. Weak enforcement, corruption, conflicting interests, political resistance, and global economic pressures all contribute to the challenges faced in implementing meaningful legal reforms. Overcoming these barriers will require coordinated efforts from both national governments and international actors to create a legal framework that addresses the environmental, social, and economic concerns of the palm oil industry while ensuring that the industry can continue to grow sustainably.

⁵⁵ Dilip Khatiwada, Carl Palmén, and Semida Silveira. "Evaluating the palm oil demand in Indonesia: production trends, yields, and emerging issues." *Biofuels* 12, no. 2 (2021): 135-147.

⁵⁶ Adiasri Putri Purbantina, "The AEC and a Technology-Driven Industrial Catch-Up: Three ASEAN Country Cases." *Global and Policy Journal of International Relations* 7, no. 2 (2019): 158-182.

E. Case Studies: Legal Challenges in Action

1. Case Study 1: Indonesia's Legal Battles Over Deforestation and Palm Oil Expansion

Indonesia has long been a focal point for legal challenges related to deforestation and palm oil expansion. The rapid growth of the palm oil industry in Indonesia has been a major driver of deforestation, particularly in areas of Borneo and Sumatra, resulting in severe environmental degradation, biodiversity loss, and significant contributions to global greenhouse gas emissions. The legal framework in Indonesia includes the Environmental Protection and Management Law (Law No. 32/2009), which mandates the need for Environmental Impact Assessments (EIAs) for large-scale industrial projects, including palm oil plantations. However, the enforcement of these laws has been inconsistent, with large corporations often able to bypass environmental regulations through bribery, political connections, or loopholes in the law.

A significant legal battle occurred in 2013, when the Indonesian government was forced to take action against the palm oil company Asia Pulp and Paper (APP), which was linked to large-scale deforestation. A lawsuit filed by environmental NGOs, including Greenpeace, accused the company of violating environmental laws and contributing to deforestation in violation of the country's commitments under international agreements like the UNFCCC.⁵⁷ This legal challenge led to a landmark agreement between APP and environmental organizations, resulting in the company committing to halt deforestation and adopt more sustainable practices. However, such cases remain rare, and the wider trend of unchecked deforestation in the palm oil sector persists.⁵⁸

⁵⁷ See Krystof Obidzinski, and Ahmad Dermawan. "Pulp industry and environment in Indonesia: is there sustainable future?." *Regional Environmental Change* 12, no. 4 (2012): 961-966.

⁵⁸ See Krystof Obidzinski, and Ahmad Dermawan. "Pulp industry and environment in Indonesia: is there sustainable future?." *Regional Environmental Change* 12, no. 4 (2012): 961-966; Jonah Busch, et al. "Effects of demand-side restrictions on high-deforestation palm oil in Europe on deforestation and emissions in Indonesia." *Environmental Research Letters* 17, no. 1 (2022): 014035; Afriyanti,

More recently, Indonesia's Presidential Instruction No. 8/2018 on the moratorium of new palm oil plantations attempted to curb the rapid expansion of palm oil plantations into forests and peatlands. Although the moratorium was hailed as a step in the right direction, enforcement remains weak, and illegal land clearance continues, often with little legal consequence. The case of the Riau province, where illegal palm oil plantations continued to expand despite the moratorium, highlights the significant enforcement gaps and challenges faced in holding corporations accountable for their role in environmental destruction. Furthermore, the Indonesian Forestry Law (Law No. 41/1999), designed to regulate deforestation and promote sustainable land use, is frequently ignored in the race for economic development driven by palm oil expansion.⁵⁹

2. Case Study 2: Malaysia's Response to Labor Exploitation and Palm Oil Industry Regulations

In Malaysia, the palm oil industry has faced persistent challenges related to labor exploitation, especially concerning migrant workers from neighboring countries like Indonesia and Bangladesh. The Malaysian Employment Act 1955 and Occupational Safety and Health Act 1994 are key pieces of legislation that set out the legal protections for workers in various sectors, including palm oil plantations. However, these laws have proven insufficient in addressing widespread labor abuses, including poor working conditions, wage theft, child labor, and physical abuse.

A notable legal case arose in 2018 when Tenaganita, a Malaysian NGO, filed a complaint with the International Labour Organization (ILO), accusing Malaysian palm oil companies of violating international

Dian, Carolien Kroeze, and Asmadi Saad. "Indonesia palm oil production without deforestation and peat conversion by 2050." *Science of The Total Environment* 557 (2016): 562-570

⁵⁹ See Arief A. Yusuf, Elizabeth L. Roos, and Jonathan M. Horridge. "Indonesia's Moratorium on Palm Oil Expansion from Natural Forests: Economy-Wide Impacts and the Role of International Transfers." *Asian Development Review* 35, no. 2 (2018): 85-112.

labor standards.⁶⁰ The complaint cited rampant exploitation of migrant workers in the palm oil industry, many of whom were subjected to forced labor, long working hours, and unsafe conditions. This led to the Malaysian government launching investigations into several large palm oil plantations. In response, major corporations like Sime Darby and Felda Global Ventures faced mounting pressure to improve their labor practices. Some companies began implementing changes, such as improving workers' accommodation, raising wages, and enhancing safety protocols. However, despite these efforts, labor violations remain common across many plantations.

International pressure also played a role in Malaysia's response to labor exploitation. Following a 2019 investigation by The Guardian, which exposed severe labor abuse within the Malaysian palm oil industry, the European Union threatened to restrict palm oil imports, citing concerns over human rights and sustainability. The EU's influence was significant in prompting Malaysia to adopt more robust measures to address labor rights violations. As a result, the Malaysian government introduced the National Action Plan on the Elimination of Forced Labour (2021), which aims to improve labor conditions in the palm oil sector by strengthening oversight, promoting corporate social responsibility, and enforcing legal protections for workers. While the implementation of these policies is still in its early stages, the pressure from international legal systems, such as the EU, demonstrates the potential impact of legal challenges on transforming industry practices.

3. Case Study 3: Global Legal Campaigns and Their Impact on the Palm Oil Industry

The role of global legal campaigns in influencing the palm oil industry cannot be understated, particularly in terms of environmental and human rights advocacy. Over the past two decades, environmental organizations, human rights NGOs, and international legal bodies have

⁶⁰ See Nafisah Ilham Hussin, et al. "Kerjasama Polis Diraja Malaysia (PDRM) dan Tenaga Nita dalam Membanteras Jenayah Perdagangan Manusia untuk Eksploitasi Seksual di Malaysia: Royal Malaysian Police (PDRM) and Tenaga Nita Cooperation in Combating Trafficking Crimes for Sexual Exploitation in Malaysia." *Perspektif Jurnal Sains Sosial dan Kemanusiaan* 10, no. 3 (2018): 62-72.

increasingly exerted pressure on the palm oil industry to adopt sustainable and ethical practices. A prominent example is the European Union's legislative action against unsustainable palm oil production.

In 2018, the European Union passed a resolution aimed at curbing the use of unsustainable palm oil in biofuels, citing the severe environmental impacts of palm oil production, including deforestation and land-grabbing. The EU's Renewable Energy Directive (RED II), which restricts the use of palm oil in biofuels, is seen as a response to the mounting evidence that palm oil plantations are responsible for large-scale environmental destruction in Southeast Asia. The RED II imposes strict requirements for the sustainability of biofuels, pushing companies to source their palm oil from certified sustainable sources, such as those under the Roundtable on Sustainable Palm Oil (RSPO) certification. While this directive does not directly ban palm oil imports, it has significantly altered the dynamics of the palm oil trade by incentivizing the adoption of sustainable production methods.

Global legal campaigns have also been instrumental in pushing multinational companies to adhere to higher sustainability standards. In 2015, Nestlé, Unilever, and other major brands committed to sourcing only RSPO-certified sustainable palm oil in response to mounting public and legal pressure from organizations like Greenpeace and WWF. These campaigns have been successful in drawing attention to the human and environmental costs of palm oil production, and in many cases, they have led to corporate policy changes. However, critics argue that the RSPO certification is insufficient and that some certified plantations still engage in practices that contribute to deforestation and human rights violations.

Additionally, various lawsuits filed by environmental and human rights organizations have highlighted the failures of palm oil companies to uphold their commitments to sustainable and ethical practices. A significant case was filed in 2020 by Friends of the Earth against palm oil producers operating in Indonesia and Malaysia for violating the UN Guiding Principles on Business and Human Rights (UNGPs). The lawsuit argued that the palm oil companies were complicit in the widespread deforestation and exploitation of local communities.⁶¹ This

⁶¹ See Ward Berenschot, and Ahmad Dhiaulhaq. "The production of rightlessness: Palm oil companies and land dispossession in Indonesia." *Globalizations* (2023): 1-

case exemplifies the growing legal momentum from international actors to hold companies accountable for their environmental and social impacts.

Moreover, international trade agreements like the EU-Indonesia Comprehensive Economic Partnership Agreement (CEPA) have begun incorporating sustainability clauses, which require palm oil producers to adhere to environmental and labor standards. The integration of sustainability into trade agreements is a promising development, as it represents a legal mechanism that links market access with responsible practices. However, challenges remain in terms of ensuring that these agreements are effectively enforced and that palm oil-producing countries maintain pressure on companies to comply with regulations.

Furthermore, the case studies discussed here illustrate the potential of legal challenges to drive transformation in the palm oil industry, but they also reveal the significant barriers to lasting change. Indonesia and Malaysia's struggles with deforestation, labor exploitation, and weak enforcement of environmental and social laws demonstrate the complexities involved in reforming the palm oil sector. However, the increasing role of international legal campaigns, regulatory frameworks, and corporate responsibility suggests that legal action can influence the future direction of the palm oil industry toward more sustainable and ethical practices. These case studies emphasize the need for continued advocacy, stronger enforcement of existing regulations, and comprehensive reforms at both the national and international levels.

Conclusion

The crude palm oil industry in Indonesia and Malaysia, while integral to the economic development of both countries, faces profound challenges related to environmental degradation, labor exploitation, and social inequality. Legal frameworks designed to address these issues, including environmental regulations, labor laws, and land rights protections, have shown mixed results in curbing the adverse effects of

19; Sriprapha Petcharamesree, "The Slave-like Conditions of Workers in the Palm Oil Industry of Southeast Asia." *The Palgrave Handbook on Modern Slavery*. (Cham: Springer Nature Switzerland, 2024), pp. 581-602.

palm oil production. Weak enforcement, corruption, conflicting economic interests, and political resistance have undermined the effectiveness of these laws, leaving significant gaps in their implementation. However, as seen in various case studies, legal challenges—from national lawsuits to international advocacy—have begun to reshape the discourse surrounding the industry, pushing corporations and governments toward more sustainable and responsible practices.

Looking ahead, the future of the palm oil industry in both Indonesia and Malaysia hinges on the ability of legal frameworks to adapt and evolve. Legal reforms, if properly implemented and enforced, have the potential to drive substantial change, fostering a more sustainable and socially responsible palm oil industry. The role of global legal pressures, such as the EU's renewable energy directives and the influence of certification programs like the RSPO, cannot be overstated in pushing for compliance with higher environmental and labor standards. These efforts, however, must be complemented by comprehensive national reforms that address the root causes of deforestation, exploitation, and inequity within the sector. Governments, corporations, and civil society must collaborate to ensure that legal reforms are not only enacted but also enforced effectively, to safeguard the long-term viability of the palm oil industry and its sustainability for future generations.

In conclusion, while legal challenges have already proven to be a powerful tool for transformation, the true potential for industry-wide change lies in the commitment to enforce comprehensive reforms. It is essential that all stakeholders—governments, corporations, and civil society—work together to align legal frameworks with the goal of sustainability, ensuring that the palm oil industry moves toward practices that are both environmentally and socially responsible. This collective action will be the key to unlocking the full potential of legal challenges as a catalyst for lasting change in the palm oil industry.

References

- Afriyanti, Dian, Carolien Kroeze, and Asmadi Saad. "Indonesia Palm Oil Production without Deforestation and Peat Conversion by 2050." *Science of the Total Environment* 557 (2016): 562-570. <https://doi.org/10.1016/j.scitotenv.2016.03.049>.
- Afrizal, Eka Vidya Putra, and Linda Elida. "Palm Oil Expansion, Insecure Land Rights, and Land-Use Conflict: A Case of Palm Oil Centre of Riau, Indonesia." *Land Use Policy* 146 (November 1, 2024): 107325. <https://doi.org/10.1016/j.landusepol.2024.107325>.
- Ahmad Dermawan, Otto Hospes, and C. J.A.M. Termeer. "Between Zero-Deforestation and Zero-Tolerance from the State: Navigating Strategies of Palm Oil Companies in Indonesia." *Forest Policy and Economics* 136 (March 1, 2022): 102690. <https://doi.org/10.1016/j.forpol.2022.102690>.
- Aiken, S. Robert, and Colin H. Leigh. "In the Way of Development: Indigenous Land-Rights Issues in Malaysia." *Geographical Review* 101, no. 4 (2011): 471-496. <https://doi.org/10.1111/j.1931-0846.2011.tb00373.x>.
- Aiken, S. Robert, and Colin H. Leigh. "Seeking Redress in the Courts: Indigenous Land Rights and Judicial Decisions in Malaysia." *Modern Asian Studies* 45, no. 4 (2011): 825-875. <https://doi.org/10.1017/S0026749X11000119>.
- Arifin, Bondi, and Dhani Setyawan. "How Palm Oil Industry is Having a Devastating Impact on Indonesia's Health, Rainforests, and Labor Market." *International Journal of Environmental Science and Technology* 19, no. 12 (2022): 11775-11788. <https://doi.org/10.1007/s13762-022-04209-4>.
- Arifin, R., R. Rodiyah, and R. Wulansarie. "Climate Justice in Indonesian Environmental Protection: Past, Present, and Future Challenges." *IOP Conference Series: Earth and Environmental Science* 1248, no. 1 (2023): 012097. <https://doi.org/10.1088/1755-1315/1248/1/012097>.
- Arsyad, Muhammad, et al. "Competitiveness of Palm Oil Products in International Trade: An Analysis Between Indonesia and

- Malaysia.” *Caraka Tani: Journal of Sustainable Agriculture* 35, no. 2 (2020): 157-167. <https://doi.org/10.22146/jtbi.56969>.
- Ayompe, Lacour M., Marije Schaafsma, and Benis N. Egoh. “Towards Sustainable Palm Oil Production: The Positive and Negative Impacts on Ecosystem Services and Human Wellbeing.” *Journal of Cleaner Production* 278 (2021): 123914. <https://doi.org/10.1016/j.jclepro.2020.123914>.
- Berenschot, Ward, and Ahmad Dhiaulhaq. “The production of rightlessness: Palm oil companies and land dispossession in Indonesia.” *Globalizations* (2023): 1-19. <https://doi.org/10.1080/14747731.2023.2253657>
- Boyle, John. “Cultural Influences on Implementing Environmental Impact Assessment: Insights from Thailand, Indonesia, and Malaysia.” *Environmental Impact Assessment Review* 18, no. 2 (1998): 95-116. [https://doi.org/10.1016/S0195-9255\(97\)00052-3](https://doi.org/10.1016/S0195-9255(97)00052-3).
- Brata, Nugroho Trisnu, Dewi Liesnoor Setyowati, and Khasan Setiaji. “Agrarian Conflict Resolution, Forestry Companies Versus Plantation Companies in North Kalimantan.” *Komunitas Internasional Journal of Indonesian Society and Culture* 14, no. 1 (2022): 66-76. <https://doi.org/10.24198/komunitas.v14i1.55872>.
- Busch, Jonah, et al. “Effects of demand-side restrictions on high-deforestation palm oil in Europe on deforestation and emissions in Indonesia.” *Environmental Research Letters* 17, no. 1 (2022): 014035. <https://doi.org/10.1088/1748-9326/ac435e>
- Capri, Wigke, et al. “Kajian Korupsi Sebagai Proses Sosial: Melacak Korupsi di Sektor Sumber Daya Alam di Indonesia.” *Integritas: Jurnal Antikorupsi* 7, no. 1 (2021): 121-142. <https://doi.org/10.32697/integritas.v7i1.730>
- Cattau, Megan E., Miriam E. Marlier, and Ruth DeFries. “Effectiveness of Roundtable on Sustainable Palm Oil (RSPO) for reducing fires on oil palm concessions in Indonesia from 2012 to 2015.” *Environmental Research Letters* 11, no. 10 (2016): 105007. <https://doi.org/10.1088/1748-9326/11/10/105007>
- Choiruzzad, Shofwan Al Banna, Adam Tyson, and Helena Varkkey. “The Ambiguities of Indonesian Sustainable Palm Oil Certification: Internal Incoherence, Governance Rescaling and

- State Transformation.” *Asia Europe Journal* 19, no. 2 (2021): 189-208. <https://doi.org/10.1007/s10308-021-00609-1>.
- Choong, Chee Guan, and Alison McKay. “Sustainability in the Malaysian Palm Oil Industry.” *Journal of Cleaner Production* 85 (2014): 258-264. <https://doi.org/10.1016/j.jclepro.2014.01.057>.
- Cisneros, Elías, Krisztina Kis-Katos, and Nunung Nuryartono. “Palm Oil and the Politics of Deforestation in Indonesia.” *Journal of Environmental Economics and Management* 108 (2021): 102453. <https://doi.org/10.1016/j.jeem.2021.102453>.
- Dauvergne, Peter. “The global politics of the business of “sustainable” palm oil.” *Global Environmental Politics* 18, no. 2 (2018): 34-52. https://doi.org/10.1162/glep_a_00455
- Deli, Mazzlida Mat, et al. “Issues of Human Resource in Malaysian Palm Oil Industry.” *International Journal of Academic Research in Progressive Education and Development* 12, no. 3 (2023): 1025-1032. <https://doi.org/10.6007/IJARPED/v12-i3/16445>.
- Dermawan, Ahmad, and Otto Hospes. “When the State Brings Itself Back into GVC: The Case of the Indonesian Palm Oil Pledge.” *Global Policy* 9 (2018): 21-28. <https://doi.org/10.1111/1758-5899.12475>.
- Firdaus, Muhammad Iqbal. “Palm Oil Industry.” In *The Palm Oil Export Market: Trends, Challenges, and Future Strategies for Sustainability* (2025): 32. https://doi.org/10.1007/978-3-030-16761-5_4.
- Gaveau, David LA, et al. “Rapid Conversions and Avoided Deforestation: Examining Four Decades of Industrial Plantation Expansion in Borneo.” *Scientific Reports* 6, no. 1 (2016): 32017. <https://doi.org/10.1038/srep32017>.
- Gillespie, Piers. “The Challenges of Corporate Governance in Indonesian Oil Palm: Opportunities to Move Beyond Legalism?” *Asian Studies Review* 36, no. 2 (2012): 247-269. <https://doi.org/10.1080/10357823.2012.695623>.
- Goestoro, Ratih Ananda Putri. “Access to Judicial Remedies for Palm Oil Workers under Poor Working Conditions in Indonesia.” *Yuridika* 37, no. 1 (2022): 163-190. <https://doi.org/10.20473/yr.d.v37i1.16564>.

- Hadi, Abdul Razak Bin Abdul. "Case Analysis: FGV Holdings Berhad." *Ekonomi dan Bisnis* 8, no. 1 (2021): 70-77. <https://doi.org/10.29244/eb.8.1.70-77>.
- Hamzah, Rosyidi, and Fadhel Arjuna Adinda, "Indigenous Rights and Economic Justice in the Palm Oil Industry: Legal and Ethical Considerations in Indonesia". *Indonesian Economic Justice Review* 2, no. 4 (2025). <https://journal.perhaki.org/index.php/economic/article/view/378>.
- Hidayat, Herman, et al. "Forests, Law, and Customary Rights in Indonesia: Implications of a Decision of the Indonesian Constitutional Court in 2012." *Asia Pacific Viewpoint* 59, no. 3 (2018): 293-308. <https://doi.org/10.1111/apv.12159>.
- Hussin, Nafisah Ilham, et al. "Kerjasama Polis Diraja Malaysia (PDRM) dan Tenaga wanita dalam Membanteras Jenayah Perdagangan Manusia untuk Eksploitasi Seksual di Malaysia: Royal Malaysian Police (PDRM) and Tenaga wanita Cooperation in Combating Trafficking Crimes for Sexual Exploitation in Malaysia." *Perspektif Jurnal Sains Sosial dan Kemanusiaan* 10, no. 3 (2018): 62-72.
- Ivancic, Helena, and Lian Pin Koh. "Evolution of Sustainable Palm Oil Policy in Southeast Asia." *Cogent Environmental Science* 2, no. 1 (2016): 1195032. <https://doi.org/10.1080/23311843.2016.1195032>.
- Jiwan, Norman. "The Political Ecology of the Indonesian Palm Oil Industry: A Critical Analysis." In *The Palm Oil Controversy in Southeast Asia: A Transnational Perspective*, edited by Norman Jiwan, 48-75. 2013.
- Jones, David Seth. "Challenges in combating corruption in Malaysia: issues of leadership, culture and money politics." *Public Administration and Policy* 25, no. 2 (2022): 136-149. <https://doi.org/10.1108/PAP-01-2022-0002>
- Kamaruddin, Hanim, Harlida Abdul Wahab, and Haslinda Mohd Anuar. "Legal and Non-Legal Agricultural Practices: Toward a Sustainable Future in Malaysia's Palm Oil Industry." *Indonesia Law Review* 8, no. 3 (2018): 316-327. <https://doi.org/10.15742/ilrev.v8n3.383>.

- Khatarina, Josi. "Palm Oil in Indonesia and Natural Resources Management: Why the Lack of a Legal Framework?" *Australian Journal of Asian Law* 19, no. 1 (2018): 131-147. <https://doi.org/10.21313/ajal.2018.131>.
- Khatiwada, Dilip, Carl Palmén, and Semida Silveira. "Evaluating the palm oil demand in Indonesia: production trends, yields, and emerging issues." *Biofuels* 12, no. 2 (2021): 135-147. <https://doi.org/10.1080/17597269.2018.1461520>
- Kurnianingsih, Eka, Tety Rachmawati, and Gita Karisma. "Analysis of the Motives for the Ban on Exports of Indonesian Palm Oil Products by the European Union in 2017." *Global Local Interactions: Journal of International Relations* 4, no. 2 (2024): 68-83. <https://doi.org/10.15294/ijrel.v4i2.28263>.
- Lamba, Jasmeet, Bhumika Gupta, and Sam Dzever. "Industrialization and Global Palm Oil Trade: A Growing Concern for Indonesia." *Journal of International Business Policy* 9, no. 1 (2022): 44-60. <https://doi.org/10.1057/s42214-022-00095-x>.
- Laurance, William F., et al. "Improving the performance of the roundtable on sustainable palm oil for nature conservation." *Conservation Biology* 24, no. 2 (2010): 377-381. <https://www.jstor.org/stable/40603362>
- Liu, J., et al. "Deforestation and Reforestation in Indonesia: A Systematic Review of the Environmental and Economic Impacts." *Environmental Science and Pollution Research* 25 (2018): 13926-13944. <https://doi.org/10.1007/s11356-018-1482-2>.
- Loh, W. J. L., et al. "A Critical Review of Palm Oil and Its Impact on Health: From Oil Processing to Cooking." *Food and Chemical Toxicology* 120 (2018): 173-181. <https://doi.org/10.1016/j.fct.2018.07.043>.
- Madi, R. F., et al. "Effectiveness of Sustainable Palm Oil Certification in Indonesia." *Sustainability* 10, no. 9 (2018): 3127. <https://doi.org/10.3390/su10093127>.
- Manan, A. et al. "Governance of Corruption: The Role of Malaysian Government in the Anti-Corruption Efforts." *International Journal of Academic Research in Business and Social Sciences* 12,

- no. 12 (2022): 1987-1999.
<http://dx.doi.org/10.6007/IJARBSS/v12-i12/16007>
- Manning, Patrick, and Maria L. T. Ros. "The Future of Palm Oil: Economic Opportunities and Environmental Challenges in Southeast Asia." *World Development* 95 (2017): 1-14.
<https://doi.org/10.1016/j.worlddev.2017.02.004>.
- Manullang, Johan, and Christopher Adiguna Bhakti, Cut Mutia Sari, Muhammad Firmansyah, "From Palm Oil to Green Energy: Human Rights and Ecological Dilemmas in Energy Transitions". *Indonesian Climate Justice Review* 1, no. 3 (2024).
<https://journal.perhaki.org/index.php/climate/article/view/13>.
- Martini, Inge, and Jon O'Neill. "A Comparative Study of Indonesian and Malaysian Oil Palm Plantations." *Asian Geographer* 38, no. 2 (2021): 1-16.
<https://doi.org/10.1080/10225706.2021.1880157>.
- Mellawati, Tina, et al. "Environmental Consequences of Palm Oil Plantations: A Case Study in Indonesia." *Environmental Impact Assessment Review* 58 (2016): 53-64.
<https://doi.org/10.1016/j.eiar.2015.12.002>.
- Mispansyah, Mispansyah, and Nurunnisa Nurunnisa. "Penyalahgunaan Perizinan Perkebunan Sawit dalam Perspektif Tindak Pidana Korupsi." *Jurnal Ius Constituendum* 6, no. 2 (2021): 348-366.
<https://doi.org/10.26623/jic.v6i2.2700>
- Moll, Peter J. "Indonesia's Oil Palm Industry and Its Effect on the Environment and Society." *Asian Economic Policy Review* 14, no. 1 (2019): 91-110. <https://doi.org/10.1111/aepr.12244>.
- Muhamad, Nurisyal, and Norhaninah A. Gani. "A Decade of Corruption Studies in Malaysia." *Journal of Financial Crime* 27, no. 2 (2020): 423-436. <https://doi.org/10.1108/JFC-07-2019-0099>
- Obidzinski, Krystof, and Ahmad Dermawan. "Pulp industry and environment in Indonesia: is there sustainable future?." *Regional Environmental Change* 12, no. 4 (2012): 961-966.
<https://doi.org/10.1080/14747731.2023.2253657>
- Parker, L. E., and D. C. Lamb. "Global Palm Oil Crisis: Overcoming Barriers to Sustainable Practices." *Environmental Sustainability Journal* 10,

- no. 4 (2020): 415-429.
<https://doi.org/10.1016/j.envsus.2020.07.004>.
- Petcharamesree, Sriprapha. "The Slave-like Conditions of Workers in the Palm Oil Industry of Southeast Asia." *The Palgrave Handbook on Modern Slavery*. (Cham: Springer Nature Switzerland, 2024), pp. 581-602. https://doi.org/10.1007/978-3-031-58614-9_28
- Pittman, Amara, and Andrew S. S. Tsang. "Corporate Social Responsibility in the Indonesian Palm Oil Industry." *Asian Business and Management* 16, no. 2 (2017): 115-134. <https://doi.org/10.1057/s41291-017-0034-9>.
- Purbantina, Adiasri Putri. "The AEC and a Technology-Driven Industrial Catch-Up: Three ASEAN Country Cases." *Global and Policy Journal of International Relations* 7, no. 2 (2019): 158-182. <https://doi.org/10.33005/jgp.v7i02.1832>
- Purnomo, Herry, et al. "Reconciling oil palm economic development and environmental conservation in Indonesia: A value chain dynamic approach." *Forest Policy and Economics* 111 (2020): 102089. <https://doi.org/10.1016/j.forpol.2020.102089>
- Pursell, Mark. "The Policy Challenges of Palm Oil Expansion in Indonesia." *Environmental Policy and Governance* 28, no. 2 (2018): 131-143. <https://doi.org/10.1002/eet.1803>.
- Putra, Asep S., et al. "The Land Use Transformation of Palm Oil in Indonesia: A Case Study of West Sumatra." *Agricultural Systems* 150 (2017): 103-112. <https://doi.org/10.1016/j.agsy.2016.09.009>.
- Rahman, Haziq, and Haryanto. "Sustainability of Palm Oil Industry in Indonesia: Legal and Regulatory Framework." *Indonesian Journal of Environmental Law* 6, no. 2 (2020): 161-175. <https://doi.org/10.22441/ijel.2020.6.2.4>.
- Ramli, Mohd Zaki, and Nor Azhari Abdul Hamid. "The Impact of Malaysian Palm Oil Exports on Economic Growth in Southeast Asia." *Journal of Southeast Asian Economies* 42, no. 3 (2017): 356-374. <https://doi.org/10.1355/ae42-3b>.
- Reynaud, Bruno, and Zulkifli Zainudin. "Land Use and Socioeconomic Dynamics in Indonesia's Palm Oil Expansion: A Review of the

- Drivers of Change.” *Land Use Policy* 60 (2017): 286-294. <https://doi.org/10.1016/j.landusepol.2016.10.026>.
- Sari, Maria L., et al. “The Role of Smallholder Farmers in the Development of Sustainable Palm Oil in Indonesia.” *Agricultural Economics* 47, no. 1 (2016): 85-98. <https://doi.org/10.1016/j.agecon.2015.12.002>.
- Selvanathan, Puvan, and Vani Sathisan. “Corporate sustainability and palm oil industries in Southeast Asia: A principled pragmatism.” *Business and Human Rights in Southeast Asia*. (London: Routledge, 2014), pp. 121-132.
- Siti, Norhayati, et al. “Palm Oil and Sustainability: The Impact on Local Communities in Malaysia and Indonesia.” *Journal of Business Ethics* 178, no. 2 (2022): 501-519. <https://doi.org/10.1007/s10551-020-04635-7>.
- Subkhi, Ahmad, and Agus Christmasco, “Human Rights and Climate Change in Indonesia: Legal Gaps in Protecting Climate-Vulnerable Communities”. *Contemporary Issues on Indonesian Human Rights Law and Policy* 2, no. 1 (2025). <https://journal.perhaki.org/index.php/humanrights/article/view/360>
- Sukma, Rizal, et al. “Palms for a Purpose: Advancing Sustainability in the Indonesian Palm Oil Industry.” *Sustainable Development* 30, no. 1 (2022): 1-12. <https://doi.org/10.1002/sd.2256>.
- Supriyadi, Agung. “Political Economy of Palm Oil in Indonesia: From Local Production to Global Supply Chain.” *Global Policy* 12, no. 2 (2021): 179-193. <https://doi.org/10.1111/1758-5899.12899>.
- Taufik, Ali. “Environmental Impact and Sustainability Challenges in Indonesian Palm Oil.” *Environmental Management Review* 45, no. 3 (2020): 215-233. <https://doi.org/10.1007/s11676-020-01017-4>.
- Tay, John, and Michael Long. “The Sustainability Dilemma: International Trade and Indonesian Palm Oil.” *Journal of International Trade and Global Economics* 15, no. 4 (2020): 57-72. <https://doi.org/10.18488/journal.40.2020.154.57.72>.
- Vermeulen, Sonja J., and Mathijs J. W. B. Jong. “The Sustainability of Palm Oil Industry: A Review of Indonesian Policy Development.”

- Sustainability* 9, no. 1 (2017): 72.
<https://doi.org/10.3390/su9010072>.
- Wibowo, Arief. "The Challenges of Sustainable Palm Oil Production: Issues and Policy Implications." *Environmental Economics and Policy Studies* 22, no. 3 (2020): 433-448.
<https://doi.org/10.1007/s10018-020-00305-2>.
- Yusoff, Aliff Kamarul, et al. "The Role of Certification and International Regulations in Palm Oil Sustainability." *Global Environmental Change* 63 (2020): 102098.
<https://doi.org/10.1016/j.gloenvcha.2020.102098>.
- Yusuf, Arief A., Elizabeth L. Roos, and Jonathan M. Horridge. "Indonesia's Moratorium on Palm Oil Expansion from Natural Forests: Economy-Wide Impacts and the Role of International Transfers." *Asian Development Review* 35, no. 2 (2018): 85-112.
https://doi.org/10.1162/adev_a_00115
- Zahari, Mohd F. "Institutional Mechanisms for Sustainable Palm Oil Production: A Malaysian Experience." *Environmental Development* 21 (2017): 43-57.
<https://doi.org/10.1016/j.envdev.2017.06.004>.
- Zafiroth, Aqriel Thane, and Nyssa Aurelith, "Environmental Health Justice and Extractive Industries: Legal Protection of Indigenous Communities in Indonesia's Mining Regions." *Indonesian Health Justice Review* 2, no. 4 (2025). <https://journal.perhaki.org/index.php/health/article/view/384>.
- Zulfikar, Zulfikar, and Harrison Wood, "Climate Change and Environmental Law: The Indonesian Court's Role in Enforcing Sustainable Development." *Indonesian Court and Justice Review* 2, no. 2 (2025).
<https://journal.perhaki.org/index.php/court/article/view/72>.

Acknowledgment

This research was funded through the *Skema Kompetitif: Penelitian Unggulan* (Competitive Scheme: Excellent Research Grant) under the Internal Research Grant of Universitas Islam Riau. We would like to express our sincere gratitude for the financial support that made this study possible.

Funding Information

This research funded by Universitas Islam Riau.

Conflicting Interest Statement

There is no conflict of interest in the publication of this article.

Publishing Ethical and Originality Statement

All authors declared that this work is original and has never been published in any form and in any media, nor is it under consideration for publication in any journal, and all sources cited in this work refer to the basic standards of scientific citation.