The Biofuel Boom and Indonesia's Oil Palm Industry: The Twin Processes of Peasant Dispossession and Adverse Incorporation in West Kalimantan

By

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Abstract

The sharp rise in global demand for biofuels and food has prompted widespread land grabbing in the Global South. In the case of Indonesia, it has prompted an unprecedented expansion of oil palm plantations that are expected to triple in land area over the next decade. The province of West Kalimantan has recently been targeted as the site of greatest expansion across the archipelago, giving rise to new social vulnerabilities and intensified conflicts over land. In the wake of large-scale enclosures of 'national forests' and 'idle land', users of forest land under customary tenure are having to confront the pressures of neoliberal globalization and transnational circuits of accumulation and production linked to the oil palm sector. Field research conducted in Sanggau district has revealed highly uneven access to land and distinct labour regimes determined by on-going class differentiation within characteristic patterns of exclusion and various forms of inclusion, notably adverse incorporation.

March 31, 2011

Dedication

This thesis is dedicated to my loving parents

who brought me into the world and

taught me the meaning of an honest day's work

while growing up

on a small farm in rural Manitoba.

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Acronyms

AAC	*Agro Abadi Cemerlang* (Private Oil Palm Company / BHD subsidiary)
ABD	Asian Development Bank
AMAN	*Aliansi Masyarakat Adat Kalimantan Barat* (Alliance of West Kalimantan Indigenous Peoples)
ARC	Agrarian Resources Centre
ASEAN	Association of Southeast Asian Nations
BAL	Basic Agrarian Law
Bappeda	*Badan Perencanaan Pembangunan Daerah* (Regional Development Planning Board)
BAPPENAS	Ministry of State Planning
BFL	Basic Forestry Law
BHD	*Bintang Harapan Desa* (National Private Oil Palm Company)
BPN	National Land Agency
CGIAR	Consultative Group on International Agricultural Research
CPO	Crude Palm Oil
DSP	*Duta Surya Pratama* (BHD subsidiary)
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FFB	Fresh Fruit Bunches
FoE	Friends of the Earth (NGO)

FPP	Forest Peoples Programme (NGO)
FPIC	Free, Prior, and Informed Consent
HGB	Company Leasehold on State land for buildings
HGU	Company Leasehold on State land for agricultural use
HPH	Logging Concession
HPK	Conversion Forest
HPT	Production Forest Area
HuMA	*Perkempulan Untuk Pembaharauan Hukum Berbasis Masyarakat dan Ekologis* (Association for Community and Ecology based Law Reform)
ICRAF	International Centre for Research in Agro Forestry (currently - World Agroforestry Centre)
IFAD	International Fund for Agricultural Development
IUP	*Ijin Usaha Perkebunan* (Plantation Estate Permit)
KKPA	*Koperasi Kepemilikan Perkebunan bagi Anggota* (Primary Cooperative Credit for its Members)
KPA	Consortium for Agrarian Reform
KUD	State-run farmers Cooperative
LAP	Land Administration Program coordinated by BPN (1994-2000)
MoA	Ministry of Agriculture
MoF	Ministry of Forestry

NES	Nucleus and Smallholder Estates
PIR	*Perkebunan Inti Rakyat* (Nucleus and Smallholder Estates)
PT MAS	*PT Mitra Austral Sejahtera* (Malaysian Private Company)
PTPN XIII	Indonesian State-owned Plantation Company
RSPO	Roundtable on Sustainable Palm Oil
SDK	*Sawit Desa Kapuas* (BHD subsidiary)
SJAL	*Sumatra Jaya Agro Lestari* (private domestic oil palm company)
SPKS	*Serikat Petani Kelapa Sawit* (Oil palm farmer/peasant union)
TP3KTL	*Tim Pengawasan dan Pembinaan Perkebunan Kabupaten* (Task Force for Land Acquisition – district level)
TRANS	Indonesian Transmigration Scheme
WALHI	The Indonesian Forum for the Environment, Friends of the Earth-Indonesia
WWF	World Wide Fund for Nature
WB	World Bank
YLBI	The Indonesian Legal Aid Foundation

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Chapter 1 Introduction: The Problem, Conceptual and Methodological Discussion

1.1 Introduction

A critical theme in contemporary international development is the recent convergence of the food, energy, environmental, and financial crises which has placed land at the centre stage of development discourse. The term 'global land grab,' first made popular by civil society groups and transnational movements, helped draw attention to the controversy surrounding land deals involving large tracts of agricultural land in the global South that were being leased out or sold in closed-door negotiations and which invited speculation as to the scope and nature of these transactions. The current wave of land grabbing, that is in part being driven by the biofuel boom that began in 2003, helped precipitate a global food crisis in 2008 which forced an additional 100 million people into chronic hunger and undernourishment in that year and brought the world total to over 1.03 billion (UN 2009, 9). As the 'food-versus-fuel battle' (Eide 2009, 12)[1] waged throughout rural and urban settings in developing countries (and continues to this day), analyses varied regarding the effect exerted by the sharp rise in demand for biofuels[2] with World Bank economist Donald Mitchell reporting that between 70 and 75 percent of the increase in food commodities prices was directly related to biofuels (Mitchell 2008, 16-17). The

[1] This is in reference to the redirection of agricultural products away from food markets and towards the production of biofuels, and also refers to land use changes that are oriented toward biofuel feedstocks crops instead of food.

[2] A 2008 publication by The International Food Policy Research Institute (IFPRI) estimated biofuels contributed to a 30 percent increase in food prices, while in the same year, the United States Department of Agriculture (USDA) determined that only a 3 percent rise in prices could be attributed to biofuels. (FAO, 2008: 101).

convergence of these forces has thus revived the strategy to purchase or secure long-term leases of agricultural land for purposes of off-shore farming to achieve greater food and energy security (Smaller and Mann 2009, 1), and has created new opportunities for profitable capitalist investment in land at a time when the global economy finds itself in the throes of a severe crisis.

Since the late 1990s, there has been growing interest in commercially-produced liquid biofuels derived from a variety of agricultural crops. Ethanol, which is derived from such feedstocks as sugarcane and maize, and biodiesel, which is produced from such oil crops as rapeseed and oil palm, are being marketed as new forms of viable 'green energy' (OECD 2008). As such, biofuels are currently being promoted as an alternative energy source that can, not only lead to greater energy security and help mitigate climate change by reducing dependence on fossil fuels, but also help foster agricultural development in a sector that has been in a slump for decades (FAO 2008a). Though the positive net gain of biofuels on global warming is a subject of on-going debate in light of recent scientific studies,[3] as is their ability to genuinely lead to sustainable energy security,[4] their growth in demand has continued to expand with new alliances being formed between emerging

[3] *Science* published the results of two comprehensive studies: one conducted by Scharlemann and Laurance (2008: 44) showed that half of the first-generation biofuels tested generated a greater aggregate environmental cost than regular fossil fuel; and the other by Searchinger *et al* (2008: 1239) that estimated that as a result of land use changes due to corn-based ethanol production would lead to a doubling of greenhouse gas emissions in the first 30 years and would continue to increase for another 167 years.

[4] According to Edward Boyle (2009), in order for the US and the EU achieve their blending mandates targeted for 2022 and 2020 respectively, more than 30 percent of American farmland would need to be dedicated to ethanol production, while 70 percent of European agricultural land would need to be set aside for biodiesel production (3-4).

economies in the South and multinational corporations (Dauvergne and Neville 2010). Food and non-food crops are being redirected to biofuel production, current and new agricultural lands are being used for food or biomass feedstock cultivation, and forests, wetlands, dry lands and areas deemed 'marginal' are increasingly being brought into agricultural production in the Global South. Aggressive US (OECD 2008) and EU (Reyes 2007) blending mandates[5], coupled with extensive government subsidies directed to agribusiness giants like Archer-Daniels-Mills (ADM), Bunge, Cargill, and others,[6] are the main drivers behind the current global biofuel boom which is reshaping rural landscapes in developing countries. According to the UK's Gallagher Report (Gallagher 2008), in order to meet the present US and EU blending mandates, a mid-range scenario of land use projects that about 500 million more hectares of land would need to be brought into active production, an increase of more than one third current area under cultivation. The agrarian transformation presently underway in the Global South is in large part being orchestrated by a 'biofuel regime' made up of agribusiness allied with the oil and automotive industries intent on dominating the process of expansion and differentiation (Pye 2010) where the countryside is becoming a site of growing conflict as issues of land rights, and rights of access and use are being contested.

[5] The US Energy Independence and Security Act of 2007 established 2022 blending targets for 2022 of 10% for ethanol and 5% for biodiesel (OECD 2008: 31, 17-18). In the same year the European Commission unveiled its EU Strategic Energy Review that set 2020 blending targets of 10 % for transport fuels (Reyes 2007: 7).

[6] The Geneva-based Global Subsidies Initiatives estimates that between 2006-2012, the US will allocate in excess of US$ 92 billion in direct subsidies for corn-based ethanol production (See 'Biofuels – At What Cost?).

It is against the backdrop of what is being termed an emerging global 'biofuel complex'[7], that large-scale commercial land deals by private or state, and national or foreign investors, are intensifying long-standing debates on issues of access, use, and control over land, and the livelihoods of the rural poor that are impacted by changes in land use. For the estimated 86 percent of rural people that depend on agriculture for their livelihood, and with three out of every four of the world's two billion or more poor living in rural areas (WB 2007, 3), 'land grabbing,' and the agricultural 'development' that is expected to follow, will invariably introduce dramatic changes across rural landscapes and will deeply impact the lives of the poor in ways that are yet to be fully understood or manifested. Many investments requiring access to land on a large-scale focus on land that is classified as 'empty,' 'marginal,' or 'idle,' and overlook the fact that there are few areas that can be genuinely deemed unoccupied or unclaimed. In reality, "virtually no large-scale allocations can take place without displacing or affecting local populations," and as a result, "the global rush for land has prompted renewed attention at a global scale on questions of rights to land and natural resources and their place in efforts to overcome hunger and poverty" (ILC 2009, 3 & 7). As foreign governments ally with the private sector, the financial investment community, and governments in the South, for the purpose of securing access to land for off-shore farming in developing countries, "the

[7] The 'biofuels complex' is in reference to the recent expansion of industrial biofuels that reflects important trends in global political economy, namely: the commodification of local energy supplement and the consolidation of corporate power in the energy and agribusiness sectors; the desire to achieve 'energy security' in light of the assumed 'energy crisis;' and a new profitability frontier for agribusiness and energy sectors. (Borras, McMichael and Scoones 2010: 576). (See also *The Journal of Peasant Studies*, vol. 37, no. 4, Special Issue: The Politics of Biofuels, Land and Agrarian Change').

spectre of the 'bad old days' of colonialism and exploitative plantations" (Cotula *et al.* 2009, 68) necessarily come to the forefront and also draw out competing views as who will benefit from the current surge in agricultural investment and how the interests of the rural poor can best be protected.

In the case of Indonesia, the world's largest producer of oil palm, plantations are expected to triple in area over the next decade, as the country vows to become the world's largest producer of biodiesel (McCarthy 2010, 823-4). With the demand for food and non-food products (including biodiesel) made from oil palm increases, land grabbing is progressing at a rapid pace through state-led enclosures of forested areas where the state is working in tandem with local, regional, and transnational corporate agribusiness to develop the industry. In January 2007, 58 energy firms have made a commitment to invest US$12.4 billion in biofuel development (Santosa 2008), which the Indonesian government describes as being "pro-jobs, pro-growth and pro-poverty-reduction." In addition to having committed 6.5 million hectares of land to biofuel development, the government has established a national biofuel blending mandate of 10 percent by 2010 with a projected export target of 12 billion litres by the same year (Guerin 2007). Since the late 1960s, the Indonesian state has laid claim to all of its forested areas (the second largest in the world), which accounts for over 70 percent of the archipelago's land mass (Peluso 1992, 5) and the so-called 'palm oil oligarchy' established under the Suharto regime (1966-1998) (Aditjondro 2001) has left a legacy of corruption, cronyism, and

incompetence of governance (McCarthy 2006, 8). By 2012, the national government is projecting an expansion to nearly 9 million hectares, and by 2020, the total area dedicated to oil palm production is expected to reach 24 million hectares (McCarthy 2009). In support of plantation expansion policies, the Indonesian Department of Agriculture has indicated that approximately 27 million hectares of 'unproductive forestlands' could be offered to investors for conversion into plantations (Colchester *et al.*, 2006, 25). The terms 'unproductive,' 'idle,' or 'under-utilized,' however, remain highly contested and controversial given the ample evidence that such lands play an essential role in the livelihoods of the poor (Cotula *et al.* 2008). In addition, it has long since been established that such 'state' or 'public' lands provide livelihoods to millions of cultivators and forest dwellers under a variety of tenurial relations, be they individual or collective, 'customary,' or otherwise (Peluso 1992).

Given the scale and scope of Indonesia's rapidly expanding oil palm sector, the forested upland areas are increasingly becoming sites of contestation (Li 2007), and the province of West Kalimantan, in particular, is the site of a major expansion in plantation area. Currently, the island of Kalimantan has nearly 30 percent of the country's area dedicated to oil palm plantations[8], and its most western is projected to grow by 5 million more hectares over the next decade according to regional development plans (Sirait 2009, 8). Such a massive expansion is expected to, not only intensify existing conflicts related to

[8] The island of Sumatra is considered to be the centre of oil palm production in Indonesia and presently has more than 70 percent of the area dedicated t plantations (Colchester *et al.* 2006, 24).

land disputes, but also create new ones as well given that much of the projected expansion is planned in areas not yet covered under laws governing private property relations. These forested areas generally fall under the status of 'public' or 'state lands' and are controlled by the state under constitutional and forestry laws, though the land itself is held under community customary tenure (*adat*) and provides livelihoods to millions of cultivators and forest dwellers (White *et al.* 2009, 7). In the past, as in the present, the process of government-regulated oil palm development has been fraught with problems, and plantations remain sites of conflict and confrontation between the various actors who are interacting across highly asymmetric power relations involving the state, agribusiness, rural elites, and local villagers. At present, there are some 513 sites of conflict between communities and oil palm companies across 17 provinces nation-wide that are being monitored by Sawit Watch, an Indonesian-based NGO, and West Kalimantan is noted as having the second highest level of conflict related to oil palm plantations after South Sumatra (Marti 2008, 10). Under the dynamic forces of the oil palm boom, agrarian landscapes in West Kalimantan are transforming at an unprecedented rate and scale, and processes of rural differentiation are leading to 'cumulation of advantages and disadvantages' in which different groups in rural society gain access to the products of their own or others' labour (White 1989, 20).

1.2 The Problematic, Research Questions, Framework and Methodology

The mainstream neoliberal development paradigm places biofuels and land grabbing within a framework of "prospects, risks, and opportunities." Biofuel advocates point out that the use of agro-feedstocks for energy production offers an opportunity for rural development in that their demand "could reverse the declining trend in real commodity prices that has depressed agricultural growth in much of the developing world over recent decades" (FAO 2008a, 5). The International Federation of Agricultural Producers (IFAP), which represents commercially oriented farmers in 80 countries, notes that bioenergy "represents a good opportunity to boost rural economies and reduce poverty," and that sustainable biofuel production by family farms "is an opportunity to achieve profitability and to revive rural communities" (FAO 2008a, 97). This position is in-step with the World Bank's 'new agriculture' agenda outlined in the 2008 World Development Report that trumpets how 'a strong link between agribusiness and smallholders can reduce rural poverty,' and how agricultural growth can be spurred on by a 'dynamic and efficient agribusiness' (World Bank 2007, 135-7). Regarding the potential risks associated with an increase in investment in agriculture leading to land grabbing, advocates of a corporate-led model of development point to an international 'Code of Conduct' (CoC) that will effectively govern transnational land transactions in such a way that risks can be adequately managed to ensure a 'win-win' situation both for investors and the rural poor (IFPRI 2009). Foreign Direct Investment (FDI) in the large-scale acquisition of land, it is argued, will foster important national capitalist economic

development and thus remains the most promising solution to poverty reduction despite the potential threats to rural livelihoods associated with land grabbing. The World Bank's more recent report produced jointly with the FAO, IFAD, and UNCTAD (World Bank *et al.* 2010) echoes its support for an international code of conduct founded on key principles that will, in its view, result in 'responsible agricultural investments' (RAI) in land. A critical dimension of RAI and a code of conduct within this approach to agricultural development is the establishment of clear and well-defined individual property rights which essentially translate into the privatisation of state or communal land as a means of achieving growth and reducing poverty.

In contrast, critics of the neoliberal approach to biofuel development and land grabbing draw attention to issues of dispossession, food insecurity, and the loss of livelihoods, to name a few. Vía Campesina, an international movement representing poor peasants and small farmers from the global South and North countries argues that the "social and ecological impacts of agrofuel development will be devastating" leading to the dispossession of millions of farmers from their land, the destruction of subsistence farmer livelihoods, and the undermining of food sovereignty[9] (Vía Campesina 2008, 1). Critics also highlight that biofuels and large-scale investments in agricultural land will only further entrench agribusiness and industrial farming practices, ultimately reinforcing 'the

[9] Food sovereignty as defined by FoodFirst Information and Action Network (FIAN) is the right of people to define their own food and agriculture, and to protect and regulate domestic agricultural production and trade in order to achieve sustainable development objectives (Rosset 2006:125-26).

path dependence of an exclusionary corporate agriculture' (McMichael 2009c, 243). In addition, opponents point out that the emerging biofuel alliances are only reinforcing processes and structures that "further wrest control of resources from subsistence farmers, indigenous peoples, and people with insecure land rights" (Dauvergne and Neville 2010, 631). In this context, as capital-intensive investment increases through the promotion of biofuels and the buying or leasing of large parcels of agricultural land, new social vulnerabilities will emerge as the competition for land and resources is intensified. In response to the RAI framework and the 'win-win' scenario held within the model advanced by the World Bank and others, the UN Rapporteur for the Right to Food, Olivier de Schutter, was also highly critical and stated that such an approach to agriculture was neither socially or environmentally sustainable and was, in essence, 'accelerating the destruction of the global peasantry' (De Schutter 2010). Finally, with respect to the 'Code of Conduct' that is being promoted by mainstream development agencies, Borras and Franco (2010b, 516) argue, among other points, that used in tandem with the notion of 'reserve agricultural land,' it could serve to transform so-called 'marginal land' into economically productive spaces thus leading to more dispossession. Moreover, the authors add that the assumption that formal property rights to land are adequate protection against dispossession is deeply flawed in that there is much evidence to demonstrate that in many cases, such rights are on the leading edge of dispossession (517).

Through my field work and research, I will seek to critically engage both sides of this debate with the intent of bringing further understanding to the contemporary biofuel and land-grabbing phenomena. I will thus be examining the social relations of property and land, as well as the social division of labour, in part guided by the classic questions of political economy that address class relations of production and reproduction as outlined by Henry Bernstein (2010), namely: who owns what?; who does what?; who gets what?; and what do they do with it and how?. The key problem I am researching is *how and to what extent are the oil palm expansion and land-grabbing affecting livelihoods and levels of poverty in rural Indonesia?* Specifically, my research is guided by three key inter-related questions: *how, to what extent, and under what terms is peasant dispossession taking place?*; *how, to what extent, and under what terms is the incorporation of peasants into the oil palm sector taking place?*; and *what are the implications of peasant dispossession and incorporation for rural social differentiation in particular, and for development more generally?* Though it is recognized that dispossession is occurring against the backdrop of diverse socio-economic conditions at the local level, the processes, mechanisms, and outcomes related to dispossession remain at times unclear. The oil palm boom is also concurrently creating opportunities for the incorporation of smallholders and rural workers into various contract farming schemes along patterns of inclusion and exclusion that also invite further research and study. I will therefore be examining the social relations through which rural people gain access to, or are excluded from, the benefits of the oil palm industry in West Kalimantan. These relations will be

viewed within the larger processes of adverse incorporation[10] in an attempt to better understand "the underlying causal processes that produce and reproduce poverty over time [and]...trap people in poverty" (Hickey and du Toit 2007, 1). Typically, the twin processes of dispossession and incorporation are examined and analyzed separately from one another. However, I will argue that the issue of peasant dispossession cannot be fully understood without also considering the nature of peasant incorporation in the oil palm sector, and how wealth and poverty are simultaneously being created through agricultural 'development' initiatives that lay claim to being 'pro-poor.'

My research project will also involve examining the dynamics of resistance at the local level, as well as the nature of the alliances that are forged at the local, national, and transnational levels among various agrarian social movements and organisations. It will include looking at how strategic overt and covert forms of resistance come into play in response to state sanctioned 'development' initiatives that undermine livelihoods and deny individuals, or groups, access to resources necessary to secure their social reproduction. It will also entail looking at the politics and policies that are associated with different activist movements and civil society organisations and include understanding how the issues of representation, intermediation and mobilization come into play in the forging of alliances and the dynamics that can set movements apart or

[10] Adverse incorporation has come into use in an attempt to reframe the phenomena elsewhere described as the more 'residualist' notion of social exclusion and "to make space for a more explicit focus on power relations, history, social dynamics, and political economy" (Hickey and du Toit 2007:1).

bring them together. In Indonesia, key agrarian conflicts have generated very different kinds of coalitions, helped produce new political opportunities in subsequent periods, and invariably led to shifting coalitions across environmental, agrarian, and indigenous organisations (Peluso, Affif, and Rachman 2008, 209). More specifically, the impact of palm oil activism in Indonesia can be seen as having been shaped to a large extent by local environmental and agrarian justice movements linked with more radical social movements in Europe and interconnected by transnational activists (Pye 2010, 851). Understanding the characteristics of various resistance movements in Indonesia, the dynamic nature of the ties that unite or separate them, and the role played by transnational agrarian movements (TAMs) in shaping strategies, objectives, and outcomes will be an important aspect of my study of dispossession and incorporation related to the oil palm sector in West Kalimantan.

My hypothesis is as follows: the oil palm boom is leading to highly uneven outcomes in rural Indonesia -- alongside the wealth that is created, a significant number of peasants and indigenous people are subjected to dispossession and are being adversely incorporated into the industry, both of which are undermining rural livelihoods and are leading to greater incidences of poverty, in particular within marginalised segments of rural society. From the perspective of smallholder farmers, rural landless workers, and the indigenous people who depend on the forests for their livelihoods, the biofuel-driven oil palm boom brings with it dispossession for some and adverse incorporation for others.

Understanding these processes is essential from a critical theory standpoint if in fact the purpose of developing new knowledge is "to counteract irrational and repressive social structures and processes" (Alvesson and Skjöldberg 1994, cf Mikkelsen, 2005, 136) that are at the root of poverty. Ultimately, the overall research objective is to gain a better understanding of social processes, mechanisms, and structures are deepening rural social differentiation in the context of the expanding oil palm industry creating wealth for some and poverty for others leading to dispossession on the one hand, and adverse incorporation on the other, leading to uneven rural differentiation as a result of unequal distributions of power inherent within class relations.

For the purposes of this thesis, development is broadly defined as improving the well-being, living standards, and opportunities of the poor with the understanding that, as an idea, an objective and an activity its "character and results are determined by relations of power, not by rhetoric of fashionable populist labels such as 'participation', 'empowerment', 'civil society', or 'poverty reduction' (Kothari and Minogue 2002, 12-13). It can be said that "development" is an unstable term (Esteva 1992; Crush 1995) though, in that it can represent an ideal of an imagined future toward which institutions and individuals strive, a historical process of commodification, industrialisation, and modernisation (Edelman and Haugerud 2005, 1), or a destructive myth which has culminated in an insidious, failed chapter in the history of Western modernity (Escobar 1995). With inequality, poverty and hunger having grown significantly over this past

decade (UN 2009), in spite of wide array of resources injected by development agencies, multilateral organisations, NGOs, and governments North and South that are, at least rhetorically, committed to the elimination of poverty and disparity in their most abject forms, it is clear that a rethinking of 'development' theory and practice is needed if indeed "the point is to change world" as Marx once noted. Given that social life is grounded in the practical and development is "a matter of life and death...[and]...an urgent global matter" (Edelman and Haugerud 2005,1), then understanding the processes and mechanisms through which wealth and poverty are simultaneously created through capitalist development becomes an essential first step in critically addressing the root causes of poverty and the entrenched social structures that make poverty chronic and intransigent for millions of rural and urban poor. Only then is it possible to articulate 'development' initiatives centered on principles of social and distributional justice that will genuinely address the problem of global poverty, instead of being myopically focused on economic growth and the generation of wealth or on mitigation strategies that only superficially address to the symptoms of poverty without ever tackling its root causes. It is hoped that by examining the twin processes of dispossession and adverse incorporation related to the oil palm industry in Indonesia from an Agrarian Political Economy point of view, a clearer understanding will emerge as to the root causes of how inequalities and disparities are created in the context of a 'new agriculture' as promoted by the World Bank and other mainstream development institutions.

Methodological Issues

The use of case studies has been identified as the most suitable method for the field research that will be undertaken in West Kalimantan. According to Robert K. Yin (2009), when 'how' and 'why' questions are the focus of a study involving the examination of contemporary events, the preferred method is the case study. He notes that the method relies on two important sources of evidence, namely "direct observations of the events being studies and interviews of the persons involved in the events," and he adds that "the case study's unique strength is its ability to deal with a full variety of evidence – documents, artefacts, interviews, and observations – beyond what might be available in a conventional study" (Ibid, 11). In this regard, the case study allows for a detailed and comprehensive look at the causes and effects related to localised phenomena in a particular setting in a given time, which can then help to understand similar events occurring in areas that share commonalities with the research area. It is important to note that the findings of these case studies are not intended to be extrapolated and made universally applicable to a broad spectrum of rural settings, but rather are considered to be representative in a general sense in contexts that share historical, political, social, and economic commonalities with the research sites being studied. A case study then can be defined as an intensive examination of a single case of a particular phenomenon (Orum 2001) and can be expanded to include the analysis of single cases and comparisons between or among a small number of cases (Bennett 2001). Given that the field research

undertaken in West Kalimantan involved rural communities that are engaged in oil palm production across a wide spectrum ranging from complete, partial, and minimal absorption into the sector, the comparative aspect of case studies are particularly useful in helping understand the impact of the booming industry in a variety of settings.

A key method of data collection during the research period will be participant observation which will also include informal and formal interviews with local villagers in the Meliau subdistrict. Participant observation can be described as "a method in which a researcher takes part in the daily activities, rituals, interactions, and events of a group of people as one of the means of learning the explicit and tact aspects of their life routines and their culture" (Dewalt and Dewalt 2002, 1).[11] This research project will involve living with a family engaged in smallholder oil palm production in Kuala Buayan for a duration of one month, and participant observation offers an ideal method for "gaining understanding of the most fundamental processes of social life" (Ibid, 2), in addition to building an open and trusting rapport with the residents of the local community. Although the researcher cannot escape the fact that he or she will always remain an outsider that is 'non-local', participant observation helps create an important bridge of understanding that facilitates the sharing of ideas, opinions, and experiences that would otherwise not be possible in a formally-constructed research model. In this context, participant observations are usually

[11] The explicit aspects of culture refers to what people communitcate about with relative ease, while the tacits aspects remain largely outside of conscious awareness such as in the case of cultural norms that define social behaviour related to touch, eye contact, and proximity (Dewalt and Dewalt 2002, 1).

less 'contrived' than formal interviews and "allow for observation of a group interaction in a more naturalistic environment" (Short 2006, 108). An important feature of this method is that it also provides for a more open ended and exploratory approach to qualitative research. As such, this approach does not involve developing a pre-determined research design but rather moves from a general area of focus and develops its categories inductively in the course of the field research (Strauss and Corbin 1990, 23). Participant observation made it possible then to record and collect information in an unobtrusive manner all the while pursuing unanticipated yet highly relevant areas of investigation that arose spontaneously in the course of daily village life that would have otherwise remained unobserved and overlooked in a more structured approach.

This research has also drawn upon a variety of secondary data that included published and unpublished materials such as books, journal articles, conference papers, government documents, publications by bilateral and multilateral organisations, civil society and private sector publications, as well as newspaper accounts and multimedia material. The information gathered from these and other secondary sources have served to contextualise the puzzle raised in the thesis and to frame the analysis that follows with the understanding that their inherent strengths and weaknesses will need to be addressed at the outset. National accounts on basic economic data, for example, can be deeply problematic (Watts 2006, 193), and official statistics related to agrarian structures can, for a variety of reasons, be 'polluted' (Barraclough 1973 cf Borras 2007, 15) which are

important to note from the outset. Of significance also is that whether the researcher likes it or not, the construction of an account is caught up in contexts of power, resistance, institutional constraint, and innovation, all of which highlight relevant issues pertaining to representation, objectivity, and the construction of accounts based on field research (Clifford 1986, 3). With this in mind, and within the parameters and scope of this field research, it is expected that the data collected will allow for analytical generalisations that can be of relevance to development theory and practice, as well as for research methodology and the study of politics at the local, national, and transnational levels.

An important aspect of the field research involved determining through observation and interviews with key informants the nature and forms of resistance that are occurring within the oil palm plantation production, and also in response to its expansion into land held within competing claims. As Watts (1994, 65) stated in relation to labour regimes, and in particular concerning contract farming, that "the contract functions simultaneously as a means of subordinations and a point of resistance," which in turn can lead to 'everyday forms of resistance' as noted by Kerkvliet (2005) and Scott (2005). Resistance in Indonesia is taking more overt forms as well, (Peluso *et al.* 2008; Bachriadi 2009) and it will be critical to determine the scope of the actions undertaken, the outcomes, in addition to the nature of how issues are prioritised and consensus for action is achieved. In this context, environmental, agrarian, and indigenous movements converge and

diverge along a continuum that reflects respective ideologies, political objectives, and identities shaped by class, ethnicity, and kinship among others. How these movements interact and are influenced by transnational movements that shape agendas is also an important dimension of data gathering in the field. Interviewing key informants within various social movements and other civil society organisations, both rural and urban, will be essential to constructing an overall picture of how competing agendas get resolved or and lead to varying forms of protest and resistance.

1.3 Introduction to the Case Studies in Sanggau District, West Kalimantan

Figure 1: Map of Indonesia showing individual provinces. Copyright-free. Reproduced from http://en.wikipedia.org/wiki/File:Indonesia_provinces_english.png Accessed 24 September, 2010.

In the summer of 2010, I joined a team of students from Indonesian, Canada, and the Netherlands to conduct field research under the joint supervision of Dr. Tania Li, from the Anthropology Department at the University of Toronto, and Dr. Pujo Semedi, from the Anthropology Department at the University of Gadjah Mada in Yogyakarta,

Indonesia. The project, which was funded under a three-year SSHRC grant, sought to examine the social relations through which rural people gain access to, or are excluded from, the benefits of high growth agriculture in Indonesia such as oil palm, in the province of West Kalimantan. Primary qualitative and quantitative data was collected from multiple case studies drawing upon a range of sources and methods for field research which included: interviews with key informants such as community leaders, local governments, forestry agencies, and NGO staff; interviews with local informants such as smallholder farmers, rural workers, and estate owners; and participant observations and participation in daily village activities. A non-random sampling method was used to identify and select interviewees both within civil society groups and social movements, as well as at the village level where semi-closed and open interview instruments were used to collect data (see Appendix A for Sample Questions).

Following a two week orientation period, the research team of which I was a part conducted a four-week field investigation in July across 20 sites situated in a total of five *desas* (villages) in the subdistrict of Meliau, Sanggau district, West Kalimantan (see Figures 1 & 2). The research area selected by Professor Tanya Li and Dr. Semedi covered a wide-range of socio-economic configurations associated with oil palm and provided a representative map of the diversity of livelihoods that ranged from complete dependence on oil palm, to mixed economies of oil palm and rubber, to economies of rubber and rice only in sites located on the outer fringes of the oil palm industry. In addition, the

research area allowed for comparative data to be gathered on state-run and private plantations which included various plasma-estate and transmigration schemes that have been implemented throughout different stages of oil palm development in the Sanggau district.

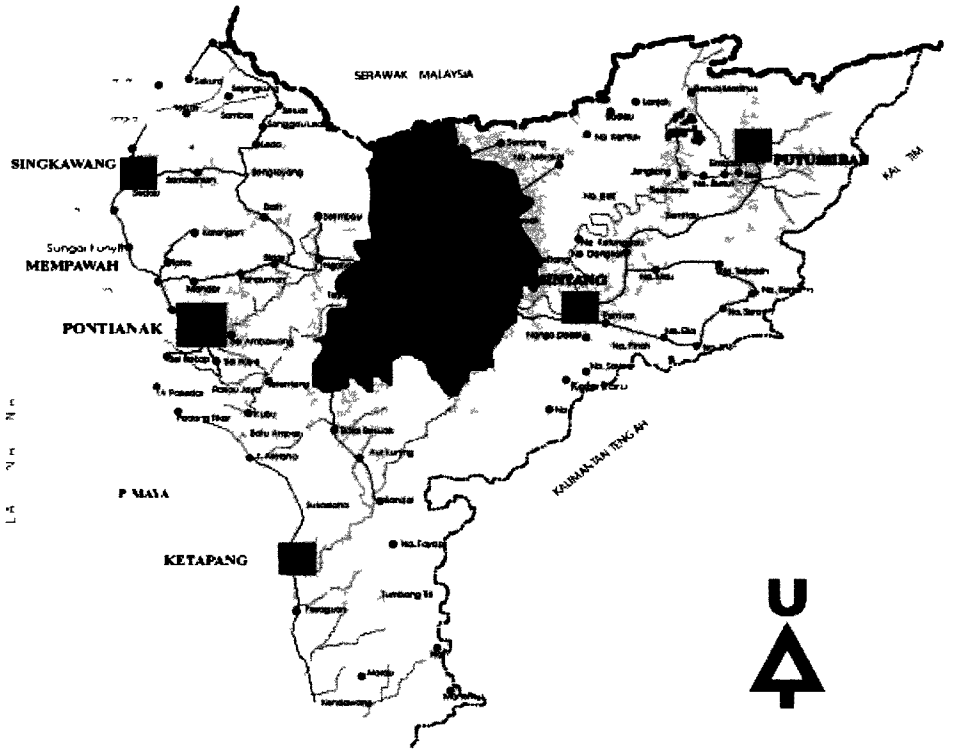

Figure 2: Map of Sanggau District, West Kalimantan. 'Expropriation and Incorporation: Gendered Politics of Oil Palm Expansion in a Dayak Hibun Community in West Kalimantan', by Julia with Ben White, 2009, p. 4.

During the field research period, I lived with a smallholder oil palm farmer and his family in the neighbourhood of Cempaka (*RT 5*) located on the eastern edge of Kuala Buayan *desa* on the south shore of the Kapuas River. Kuala Buayan and the neighbouring *desas* were situated within an oil palm concession owned by the private company *Bintang*

Harapan Desa (BHD), while the research sites north of the Kapuas River fell under the concessional control of the state-run plantation PTPN XIII. With the exception of the more remote research sites further south along the smaller Buayan River and its associated tributaries, the research area was completely hemmed in by oil palm either in the form of estate plantations (*inti*) or as two hectare smallholdings (*plasma*) tied to the estates. Over the course of my month-long stay in Cempaka (see Figure 3), I had the opportunity to visit a number of other sites within our research area and gained first-hand knowledge as to how social relations linked to land and labour were shaping and transforming rural livelihoods across a broad spectrum linked to the oil palm industry. I have also had access to the data and observations acquired by the pool of researchers involved in the project which has greatly enhanced my understanding of the rural livelihoods in our area that were directly and indirectly being affected by the oil palm sector.

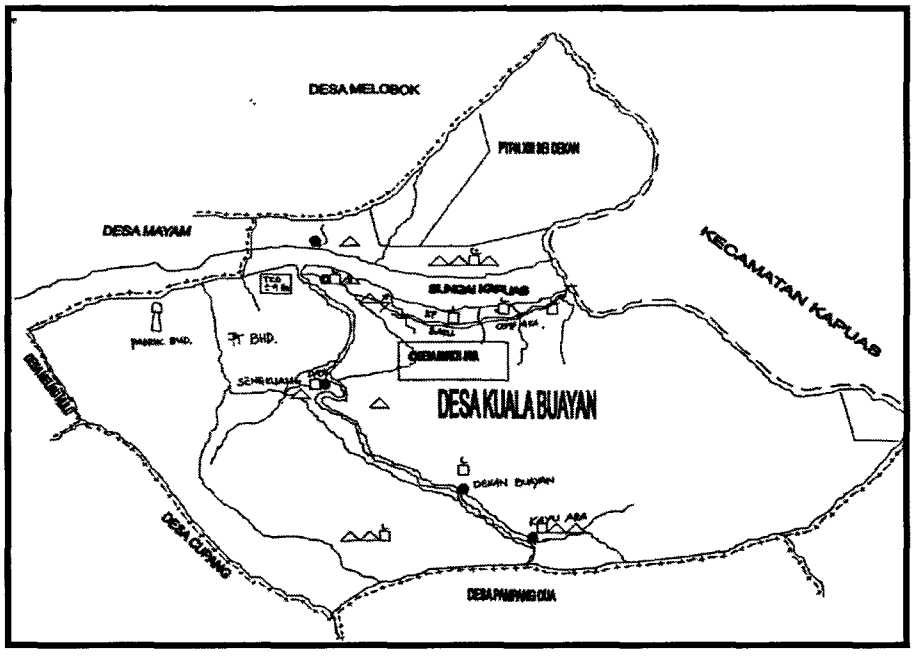

Figure 3:: Map of Desa Kuala Buayan and surrounding desas. Courtesy of Kepala Dusun Pak Maharani from Kantor Kuala Buayan, 13 July, 2010.

1.4 Chapters Overview

In Chapter 2, I will outline and develop the analytical framework relevant to land grabbing, dispossession, adverse incorporation and rural resistance. I will begin with an overview of competing perspectives, followed by land uses changes and the dynamics of land grabbing currently underway in the Global South. The theoretical underpinnings of primitive accumulation and capitalism will then be reviewed as defined in Marxist theory, which will lead into the concept of accumulation by dispossession as first articulated by Rosa Luxemburg and later developed by David Harvey. The first section of this chapter will conclude with a review of the theory related to the differentiation of the peasantry,

contract farming, and adverse incorporation. The next section will examine global land politics under a neoliberal regime that will include neoliberal land policies, debates related to a proposed 'Code of Conduct' in land deals, as well as the recently developed CLEP model that is being proposed as a pro-poor land policy. An overview of women's rights to land in relation to neoliberal land policies will provide gender perspective on this topic and complete this section. The final analytical framework segment will examine rural resistance and transnational agrarian movements. Specifically, it will present the neoliberal regime as a catalyst for protest and resistance, and review the typology of rural politics that include local, national, and transnational forces that interact dynamically in competing and complementary ways.

Chapter 3 will examine background information on biofuels in a global context in order to situate Indonesia's oil palm industry within a larger framework. After providing an onverview of the current development of biofuels and the main drivers behind the present-day boom, the role of agribusiness in the industry will be reviewed, in addition to the land grabbing that is resulting from the global surge in demand for biofuels. The global oil palm industry will be examined next, in order to situate Indonesia's industry within the larger global context. The following section in this chapter will provide some historical background on Indonesia with specific reference to agrarian issues, rural politics, and resistance, which will then lead into a discussion on the country's oil palm sector. Beginning with an overview of the changing nature estate-smallholder schemes that entailed state-led land grabbing and smallholder incorporation, this section will then

proceed with an outline of rural resistance within the sector nation-wide, and conclude with gender issues specific to the oil palm industry.

Chapter 4 provides context for the field research that was undertaken in the sub-district of Meliau by first giving some background details on the development of the industry in West Kalimantan. I will situate the villages within the research site and identify the main features of the area located on either side of the Kapuas River. An overview of the state-owned plantation PTPN XIII will follow and will include historical context, as well as current land and labour issues associated with the oil palm plantation. Discussion will then proceed to the privately-held BHD concession on the south side of the river and will included the specific issues related to transmigration, *plasma* development, and outstanding issues related to land and labour, which will also address the processing mill in Kuala Buayan. The next section will provide a more detailed look at rural life in Cempaka and will specifically examine smallholder livelihoods and issues of wealth associated with land in the community. This chapter will end with a review of labour regimes with specific reference to gender, followed by an overview of the different levels of resistance that are actively taking place on the research site.

In Chapter 5, I provide an analysis of the field data with respect to the analytical framework in chapter 2. I begin with a review of the processes and mechanisms of agrarian change in Meliau and examine in detail the elements of rural social differentiation witnessed in the area. I proceed to an analysis of the differentiation of the peasantry in the context of the communities on both sides of the Kapuas River, which

leads into a review of adverse incorporation in relation to smallholder oil palm farmers. The following section critically analyses neoliberal land policies, followed by a review of accumulation by dispossession as it applies to the field research undertaken. An analysis of rural politics will then be provided that will include a section on resistance as well. This chapter will conclude with an analysis of the opportunities and threats inherent within the development of oil palm in Meliau.

Finally, in Chapter 6, I will provide an overview of the research project and examine in detail each of the research questions that have guided this thesis. I will address the key questions of agrarian political economy and follow with a summary of the key findings in this research. The last section will include an overview of implications for development based on the field research conducted in Meliau that will then be situated within a larger development context. I will end this chapter and thesis with a few concluding remarks.

Chapter 2 – Analytical Framework

Introduction

The current biofuel boom and associated land-grabbing presently framed as 'opportunities and risks' begs the questions what opportunities and risks, and for whom? In terms of livelihoods and the persistence of poverty in rural settings, this contemporary phenomena centers squarely on the critical importance of access to, control over, and use of land, not only in securing rural livelihoods, but in genuinely reducing poverty and inequality in the countryside. For the billions of rural poor who are either landless or near-landless, or who simply depend on continued access to land in order to sustain their livelihoods, the latest biofuel/land-grabbing frenzy may in fact present far greater risks than the potential opportunities lauded by advocates in mainstream development circles. Competing views emerge as to the nature of such opportunities and risks, which give way to various forms of resistance and protest when the outcomes lead to outright dispossession of land and/or to incorporation into biofuel production schemes that are shaped by elements of deceit, coercion, violence, or the threat of violence. In order to better understand the processes involved in dispossession and incorporation, it will first be necessary to situate both within the larger theoretical framework of capitalist accumulation and social differentiation, to then situate the debate within the competing views of the current neoliberal land policy that claims to represent a "pro-poor" approach in the guise of individual property rights. Finally, a review of different forms of

resistance that plays out in rural settings, and the convergences and divergences that occur within local, national, and transnational sites will frame the contestations and challenges aimed at the political and economic forces driving the contemporary biofuel boom and land-grab.

An agrarian political economy approach will be used as an analytical lens through which to identify and interpret the patterns and processes of rural differentiation with respect to land and labour specifically. Political economy will be defined as an "investigation of the social relations and dynamics of production and reproduction, property, and power" (Bernstein 2007, 1). This particular approach was chosen because within the context of development theory and practice, interventions and policy formations that remain class-blind are likely to not support those most profoundly affected by poverty and may in fact undermine those efforts as a result of having overlooked the class relations and power imbalances that are operating within a particular setting. If the overarching objective of development is to identify the roots of poverty and exclusions so as to bring about positive changes that will benefit the lives of the poor, an analysis of social classes is of critical importance. In addition to social classes, however, it is important to extend beyond conventional frameworks and to also include other identities that are parallel or over-lapping with social classes such as gender, race, and ethnicity.

In this framework of analysis, the causes of rural poverty are deemed to be *relational* in nature (i.e. stemming from social relations), as opposed to being *residual* which, in contrast, views poverty as a consequence of being 'left out' of the process of development (Bernstein 1992, 24). With the understanding that the processes and outcomes of agrarian change are more complex than the simple narratives of inclusion and exclusion suggest, the concept of adverse incorporation will be applied in an agrarian political economy analysis that rejects the neoliberal interpretation of social exclusion which overlooks the ways in which the normal operations of markets and economic institutions create or worsen poverty. As part of my analysis, I will also be making reference to David Harvey's (2006, xvi-xvii) concept of 'accumulation by dispossession' that views the exploitation of living labour in production and the appropriation of productive assets such as land through either force, fraud, or predation as two aspects of social and economic accumulation that have become internalized within neoliberal capitalism. Viewed in this light, resistance to neoliberalisation and capitalism will thus be seen as exhibiting a dual character: the first involving struggles against dispossession, and the second relating to class struggles characteristic of the labour process that have long dominated Marxist politics.

I will be contrasting the principle analytical lens of agrarian political economy with the neoliberal framework that underpins much of the development initiatives advanced through mainstream institutions that maintain a largely linear narrative of modernization

centered on economic growth and free markets as the mechanism that will lead to progress, prosperity and the reduction of global poverty. A neoliberal model, as espoused by the World Bank, other International Financial Institutions (IFIs), and various multilateral and national development organisations, rests on a number of ideological concepts that justifies the accumulation of surplus capital generated by a proletarian workforce, combined with economic principles based on market liberalization, privatization, and deregulation under the guise of 'raising all boats' as the high tide of economic growth makes its way around the globe. In the context of agrarian transformation strictly along capitalistic lines, neoliberal analysts maintain a residual perspective regarding the causes of poverty and notably fail to examine how capitalist development systematically and simultaneously produces poverty and wealth.

2.1 Land Grabbing and Dispossession / The Peasantry and Adverse Incorporation

2.11 Competing Perspectives: Opportunity or Threat?

Initial research on the 'global land grabbing' phenomena can be traced back to the radical environmental-agrarian activist community, the Foodfirst Information and Action Network (FIAN) which drew attention to the growing number of reports of large-scale land deals that were underway in a number of developing countries. They were later joined by others NGOs that also sounded the alarm on the impact land grabbing and biofuels were having on food security and rural livelihoods. In October 2008 the Spanish-based NGO GRAIN (Genetic Resources Action International) became the first to

publish the results of a detailed study outlining how capital rich countries primarily from the Middle East and Asia were in the process of (or had already done so) securing purchases or long-term leases of foreign agricultural land for the purposes of off-shore farming to produce food and biofuel feedstocks for direct export back to their respective home countries (GRAIN 2008a). The organisation listed some 180 current transactions that were at different stages of being negotiated and that involved parcels of land ranging from less than 500 ha to over a million (GRAIN 2008b). With some reported land grabbing deals having since been cancelled[12], while a number of others remain unsubstantiated given the oftentimes undisclosed nature of such transactions, there is a recognition that to date, "little empirical evidence" (Cotula *et al.* 2009, 15) is available. As a result, there is considerable uncertainty and a good deal of speculation as to the scope and magnitude of these commercial land deals. In April 2009, for example, The International Food Policy Research Institute (IFPRI) estimated that between 15 to 20 million ha of land involving 57 cases, mostly in Africa and some in Asia, had been recently leased, bought up, or were under negotiation (IFPRI 2009). A short time later, the International Institute for Environment and Development (IIED) released its own findings on land deals in Africa and noted that approximately 2.4 million hectares of land was involved while acknowledging that "data on land acquisitions in Africa is scarce and often of limited reliability" (Cotula *et al.* 2009, 3-4). Such discrepancies and

[12] Probably one of the more notorious of such deals which received extensive media coverage was a 2008 1.3 million ha deal between the South Korean company Daewoo Logistics and the government of Madagascar. The contract was eventually cancelled in the spring of 2009 following a coup that saw a new government come to power and overturn the land deal with Daewoo (Cotula *et al* 2009: 37).

uncertainties have served to highlight the need for a clearer understanding of the land grabbing that is currently underway, and a growing number of institutions, academics, civil society groups, and social movements are providing competing views as to the nature of these land deals and their impacts on rural areas.

Though the term 'land grab' has been largely popularized by mainstream media and has been adopted by a broad spectrum of institutions, organisations, and social networks, it is a point of debate in some arenas and evokes discussion as to the implications associated with the term and the various alternatives in terminology currently being used. The International Land Coalition (ILC) refers to 'commercial pressures on land' (ILC 2009), the International Institute for Sustainable Development (IISD) makes use of 'foreign investment in land' (IISD 2009), and the United Nation's current Special Rapporteur on the Right to Food, Olivier de Schutter, speaks of 'large-scale land acquisitions and leases' (de Schutter 2009) instead of using the term 'land grabbing'. One reason given for avoiding the use of the latter term is that it suggests "illicit behaviour" when in most cases "land allocations do not violate domestic legal systems" (ILC 2009, 7). It is recognized, however, that there are clearly illegal land grabs taking place as in the cases of Colombia and Uruguay where paramilitary forces are forcibly removing occupants from the land (Ziegler 2007, 13-14), for example, or in a large number of documented cases where holders of formal rights have been evicted from their land due to the

expansion of sugarcane ethanol production in Brazil (Borras and Franco 2009, 24-25)[13]. The issues surrounding the 'legality' of land grabs within the context of land rights for the rural poor will be developed in subsequent sections; it is likely that for a host of diplomatic, political, or ideological reasons that alternative terms in reference to land grabbing is preferred. Borras and Franco (2009a, 4) note that the term "'(trans)national commercial land transactions or deals' is more appropriate" because it captures the transnational and domestic nature of the deals and underscores the commercial aspect of the transactions more accurately than the term 'global land grab.' Given the nature of the current land grabs, however, the latter term will be preferentially used.

With the current rise in demand for biofuels acting as one of the key factors behind the increased investment in agriculture and large-scale land acquisitions, mainstream perspectives point to potential opportunities and threats in the context of rural livelihoods and the poor. The FAO notes that biofuels "may reverse the long-term decline in real agricultural commodity prices that, for decades, has discouraged public and private investment in agriculture and rural areas in many developing countries" (FAO 2008a, 87). In addition, the agency notes that biofuels could help revitalize the agricultural sector and promote access to productive resources for smallholders and marginalized groups like women and ethnic minorities, and serve as an engine for growth and poverty

[13] The authors point to land reform beneficiaries in the State of São Paolo, Brazil and to peasant holders of community land rights in Mozambique who were evicted from their lands as a result of the expanding sugarcane ethanol production.

reduction (Ibid., 88). The International Fund for Agricultural Development (IFAD) echoes similar opportunities: investments in land and biofuel production have the potential to stimulate rural economies by developing processing industries, providing employment and livelihood diversification, and introducing new technologies that will increase productivity and result in higher returns for farmers (2009, 8). A recent joint study on Africa by the IIED, the FAO, and IFAD points to potential macro-level benefits such as GDP growth and government revenues that could follow increased investment in land; however, it also draws important attention to serious direct and indirect impacts on the poor. Large-scale land acquisitions, it notes, "can result in local people losing access to the resources upon which they depend," and more directly, can result in "dispossession of the land they live on" (Cotula *et al.* 2009, 15). Moreover, local users may find themselves pushed from higher-value lands leading to encroachment on marginal lands, and the land use concentration could, in the long term, lead to the increased importance of export-led agriculture and the role of agri-business in terms of the degree of vertical integration in agricultural production, processing, and distribution (Ibid.). For smallholders and rural workers associated with the production of agricultural biofuel feedstocks such changes present potential threats to their livelihoods, and could significantly undermine their access to, use of, and control over land.

When considering the opportunities and threats posed by the biofuel/land grab scenario, as noted earlier, a sharp division exists between perspectives put forward by the world's

two most important organisations of farmers, namely Vía Campesina and the International Federation of Agricultural Producers (IFAP)[14]. Vía Campesina, the largest agrarian-based transnational network of over 500 rural social movements and NGOs that collectively represents mainly poor peasants and small farmers (Borras 2004), has pronounced itself opposed to the development of commercially produced agrofuels for a host of reasons. The peasant movement states that the "current massive wave of investment in energy production based on cultivating and industrial processing of vegetal materials...[will] bring disastrous social and environmental consequences," will "drive family farmers, men, and women, off their land," and will contribute to "the massive concentration of capital by landowners, large companies and TNCs, provoking a real counter land reform throughout the world" (Vía Campesina 2009, 35). As an organisation centered on the principles of food sovereignty and the right to food, they categorically position themselves on the food side of the 'food-versus-fuel' battle. IFAP, on the other hand, claiming to represent millions of small, medium, and rich farmers in over 80 countries, considers biofuels as an important avenue for agricultural development and an effective means of reducing rural poverty. In the eyes of the organisation, "biofuels are the best option currently available to bring down greenhouse gas emissions," and they "represent an opportunity to achieve profitability and to revive rural communities" (FAO 2008a, 97). For the diverse family farms from the industrialised world represented by IFAP, the benefits of biofuels outweighs the risks or potential

[14] For relevant analytical background on both groups, see Borras, Edelman, and Kay (2008) and Borras and Franco (2009).

threats, while Vía Campesina views biofuels as serious threat to rural livelihoods, subsistence farming, and food sovereignty. It is important to note, however, that within each these large groups, significant divergence of opinion can be found, and in the case of ordinary village folk, it is not uncommon to see them express both interest and concern about the livelihoods such projects may bring or destroy (Borras and Franco 2009, 5). In order to better understand these diverging perspectives, it is essential to first examine how land use is changing under the pressures of the biofuel boom alongside the re-valuation of land that is inciting an unprecedented land grab in the Global South.

2.12 Land Use Changes and the Dynamics of Land Grabbing

The present land use changes that are taking place globally in the context of rising demand for biofuels and increased interest in land investment involve changes not only in the use of land for agricultural production, but also in the nature of crops harvested and the intended use and destination of agricultural goods. The most direct and immediate changes to land use saw the redirection of food crops such as maize and soybeans to the production of bioethanol and biodiesel respectively, which factored prominently in the 2008 global food crisis that led to increases of over 80 percent in food prices. According to the Organisation for Economic Co-operation and Development (OECD) biofuels utilised 12 percent of global grain and 14 percent of global vegetable oil production (OECD 2008, 10). In the case of the U.S. which is the world's top ethanol producer accounting for 48 percent of the global production (Ibid., 9), 25 percent of its maize was

redirected away from food and feed markets to ethanol production in 2007/2008, in addition to the 23 percent expansion of agricultural land newly dedicated to maize crops (Mitchell 2008, 7, 10). In the global arena, the changes to land use and agricultural production are multiple and complex, and can be broadly grouped into four main categories according to an analytical framework devised by Borras and Franco (2009a)[15]: Type A land remains within food production, Type B land shifts from food to biofuel production, Type C land, formerly devoted to non-food uses, converts to food production, and Type D land, once dedicated to non-food uses, converts to biofuel production (see Table 1).

In Type A, lands continue to be used for food production, though the crops may shift from consumption, domestic exchange, and industrial farming of mono-crops to domestic exchange, export, or consumption and domestic exchange along poly-culture small-scale models according to respective categories. Land use category A1, where food is originally produced for local consumption, is one of the oldest and most extensive types of land use change which often occurs as a result of rising food prices that lead an increasing number of peasants to sell their agricultural goods for money on the domestic market. Category A2 involves shifting land use for export, a pattern of production characteristic of colonial agricultural systems, and more recently of the

[15] The author gratefully acknowledges the permission granted by Saturnino Borras Jr. and Jennifer Franco to make reference to this section of their paper presented at the Agrarian Studies Colloquium Series, Yale University, 30 October, 2009.

neoliberal export-led imperative whereby producers in developing countries have "battled for saturated markets for traditional exports, or have discovered 'comparative advantage' in various non-traditional goods" (Moyo and Yeros 2005, 18) such as cut flowers and speciality produce. In the context of land grabbing of agricultural land for off-shore farming by foreign interests intending to export food crops back to their respective home country, the A2 type of land use change has drawn considerable protest both locally and internationally. The recent IIED study in Africa revealed that nearly 2.4 million hectares of land were formally transacted in large-scale segments from 2006 to March 2009, and such rapid changes in rural settings invariably impacts local populations where "most, if not all, productive land targeted for potential investment is likely to be already claimed by farmers, herders, hunters, or foragers" (Cotula *et al.* 2009, 90). The final A3 category of this group involves converting land from export-led monocrop industrial food production to small-scale family farm units as in the case of land reform settlements in Brazil or the banana and sugarcane sectors in the Philippines. This land use change emphasises subsistence-oriented food production units and is considered to be redistributive in nature.

The Type B land use change attracts considerable protest along the 'food-versus-fuel' debate where land is taken out of agricultural food production in order to produce biofuel feedstocks and which is largely a corporate-driven shift with some small-scale production as well. The B1 land use changes are taking place at a rapid pace though

are difficult to accurately pin down given the state of flux surrounding land grabbing initiatives where signed contracts between countries are subsequently cancelled due to public protest. The South Korean Daewoo contract in Madagascar is an example of such as case, as is a similar deal signed between China and the Philippines involving a 1.2 million hectare project that was later cancelled due to public uproar (von Braun and Meinzen-Dick 2009, 1-2).[16] It is assumed that the socio-political processes associated

Table 1: Character, Direction, and Orientation of Land Use Change

Type	Category	From	To
A Food to Food	A1	For consumption	For domestic exchange
	A2	For consumption, domestic exchange	For export
	A3	For export: monocrops, industrial farming	For consumption, domestic exchange, small-scale, polyculture
B Food to Biofuel	B1	For consumption, domestic exchange	For biofuels export
	B2a	For consumption, domestic exchange	For biofuels: local use, domestic exchange (corporate controlled)
	B2b	For consumption, domestic exchange	For biofuels: local use, domestic exchange (non-corporate controlled)
C Non-food to Food	C1	Forest lands	For consumption, local market
	C2	Forest lands	For export
	C3	'Marginal' and 'Idle' lands	For consumption, local market
	C4	'Marginal' and 'Idle' lands	For export
D Non-food to Biofuel	D1	Forest lands	For consumption, local market
	D2	Forest lands	For export
	D3	'Marginal' and 'Idle' lands	For consumption, local market
	D4	'Marginal' and 'Idle' lands	For export

Note. Adapted from 'The Politics of Contemporary (Trans)national Commercial Land Deals: Competing Views, Strategies and Alternatives'. (Borras and Franco 2009a, 9).

[16] The authors of this IFPRI Policy Brief, Joachim von Braun and Ruth Meinsen-Dick, underline that though such highly publicized land deals are currently suspended, it is not to say that they will not be revived at a later date.

with such land use changes are "marked by promise of a better livelihood, deceit, coercion and violence, or threat of coercion and violence" (Borras and Franco 2009a, 12), as in the case of Brazilian farmers who have abandoned their land linked to employment with sugarcane companies (see Monsalve *et al.* 2008), or in reference to Colombian paramilitary groups who are forcibly evicting people from contested lands slated for palm oil expansion.[17] Within the B2 category, biofuel production for local consumption can either take the shape of corporate-controlled production, as is the case with capital-intensive ethanol production (sugarcane, maize), or can assume the form of small to medium scale non-corporate production (primarily biodiesel) that uses intercropping and is intended to help achieve greater local 'energy sovereignty'. It is important to remember, however, that biofuel production does not always imply a change in land use: Brazil's sugarcane, for one, can be used for the production of sugar for food consumption or for ethanol as a biofuel for the transport sector, while Indonesia's oil palm fruit, for another, can be used for the production of a number of food and non-food products, as well as biodiesel.

Land use changes of Types C and D, where forest lands and so-called 'marginal' and 'idle' lands are brought into agricultural use for either food and/or biofuel production, pose not only a serious threat to the biodiversity of environmentally sensitive areas, but also greatly compromise the livelihoods of those who depend on access and use of such

[17] Vermeulen and Cotula (2010) offers an insightful mapping of the political dynamics of coercion of and consent by communities as referenced in Borras and Franco (2010c).

lands for their survival. This is evident where large-scale production has been geared toward export markets as in, for example, the case of the sugarcane plantations in Brazil's Amazonian forests, the current soya expansion in Latin America, or with Indonesia's recently ramped up oil palm industry. The World Bank estimates that each year 13 million hectares of forests are permanently converted to agriculture and that forests contribute to the livelihoods of more than 1.6 billion people (WB 2008, 1-2). Under the pressures of the biofuel boom and global land-grabbing, the rate of deforestation with its concomitant environmental and livelihood fallouts are expected to increase significantly over the years to come. This is applies not only to "villagers who have collected forest products or opened up areas for cultivation...[over] years, decades, or even centuries of local use," (McCarthy 2006, 3), but also pertains to those who reside in areas labelled 'marginal' or 'idle' and now face dispossession under state-led 'development' initiatives targeting these lands and forcing rural dwellers into progressively marginalised areas to pursue their livelihoods. "The concept of 'marginal', 'idle', and 'waste' lands, however, is highly contested" (Borras and Franco 2009, 15), and the state, which relies on operational mechanisms termed by James C. Scott as 'state simplifications' that "attempt to make a society legible" and to "simplify the classic state functions" (Scott 1998, 2) seek to facilitate land use change though do not always succeed. By resorting to such 'simplifications' that overlooks the actual nature, use, and larger social function of the land being categorised 'unproductive' or 'idle' places at risk

those relying on such lands for their livelihoods and sets the stage for resistance in a political, social and economic context marked by sharp imbalances and asymmetries.

Understanding the dynamics underlying large-scale land grabs and how political and economic forces are reshaping landed property relations in alignment with the interests of global capital is an essential step in identifying the processes involved. Though it is widely recognized that foreign investors, public and private, are the primary land grabbers involved in developing countries, local elites are also actively engaged in speculative accumulation of land primarily through the privatisation of previously commonly-held land which is seen as a key driver behind land alienation from local users (ILC 2009, 10). Working with the state, as well as with national and transnational corporations, the landed elite is gaining incorporation within a new food and energy agro-industrial complex that has vertically integrated upstream and downstream processes and inputs (McMichael 2009a). This process of integration is leading to a greater consolidation of land as smaller farm units get absorbed through the purchase or lease of their land (Borras and Franco 2009, 17), and in particular, the current land grabbing phenomena has witnessed commercial interests in land turn increasingly to what is termed 'non-private' (public and customary lands). Given that up to 90 percent of the land in Africa "remains outside existing legal systems" (Deininger 2003, 6) and is held under customary tenure, or, in the case of Indonesia, where 70 percent of its land is designated as national political forest (Peluso, Afiff, and Rachman 2008, 213) it is

possible to see why such 'non-private' and state-held lands are becoming key loci of attention and speculation. In the context of the present-day convergence of crises on multiple fronts, namely food, energy, finance, and the environment, the large-scale enclosures of 'non-private' and state-held land threaten not only the moral economies[18] of agrarian societies, but is also resulting in massive dispossession and/or displacement of peasants, indigenous peoples, and the rural poor world wide (Borras and Franco 2009, 18). Such enclosures have historically formed the basis of what Marx identified as 'primitive accumulation' which have in turn allowed for the emergence of capital and hence the capital-labour relationships characterised as being one of exploitation that lies at the heart contemporary agrarian transformations under the forces of global capital.

2.13 Primitive Accumulation, Capitalism, and Accumulation by Dispossession

In *Capital: A Critique of Political Economy* (1887, 1954) Karl Marx outlined his theories on capitalist development in medieval England in which he elaborated on the notion of primitive accumulation and the nature of social transformation from one mode of production (feudalism) to another (capitalism) that gave rise to the classes of capital and labour (Peet 2006). Marx was critical of the classic political economy of his time embodied in the writings of Adam Smith and David Ricardo that explained the origin of primitive accumulation as an anecdote of the past whereby one sort of people, the diligent, intelligent, and frugal elite accumulated wealth, while the other sort, lazy,

[18] James C. Scott (1976:27) notes how the peasant household relies on the moral economy of subsistence ethics where "shared values and social controls combine to reinforce mutual assistance."

wasteful, and engaged in riotous living had nothing (Eastman 1932, 183). He noted, to the contrary, that in "actual history it is notorious that conquest, enslavement, robbery, murder...play the great part" (Ibid.), and that the starting point of capitalism, primitive accumulation, was nothing short of a violent process. Specifically, Marx described the enclosures of the commons as a period of primitive accumulation that preceded capitalist accumulation in which "great masses of men are suddenly and forcibly torn from their means of subsistence and hurled into labour markets as free, unprotected and rightless proletarians. The expropriation of the agricultural producer, of the peasant, from the soil is the basis of the whole process" (Marx 1954, 669). Once the peasant farmers were now 'free' from their means of production through dispossession, and 'free' to sell their labour power as a commodity, they were considered to be free in the classical "dual sense' allowing for surplus value to be appropriated from labour which was the basis of capital accumulation extracted under relations of exploitation (Akram-Lodhi and Kay 2009, 12-13). Through this process, large segments of the peasantry were transformed into wage labour, and the landed estates became capitalist farms enabling proprietors to reap surplus-value from hired wage labour. The expropriations of the agricultural population by a class of capitalist landowners set 'free' (rendered landless) the peasantry and created a new proletarian class of workers that would serve as a labour force on capitalist farms and form a reserve army of labour for a class of industrial capitalists that would emerge later. As necessary precursors to capitalism, these expropriations thus led to the

formation of class relations of capital and labour which were bound by conflict and class struggle shaped and defined by the capitalist mode of production.

The genesis of agrarian capitalism required then changes in social relations that saw the reconfiguration of access to and control over productive assets, which, in turn, led to changes in the structure of economic processes and rural transformation that allowed for the production and reproduction of capitalist social relations. Marx noted that capitalist production "of itself reproduces the separation between labour power and the means of labour...[and] produces not only commodities, not only surplus-value, but it also produces and reproduces the capitalist relation: on the one side the capitalist, on the other, the wage-labourer" (Eastman 1932, 155-56). In this regard, capitalist production reproduces and perpetuates the condition for exploiting the labourer who is forced to sell his labour-power in order to live and enables the capitalist to purchase labour-power to enrich himself through a process of capital accumulation (Marx 1954, 541). When referring to the genius of Marx, Lenin highlighted how bourgeois economists of the 18th and 19th century saw only a relation between things in the exchange of commodity for commodity while Marx discovered "a relation between people" whereby the product of general labour became increasingly appropriated by a handful of capitalists and the mass of the population faced the insecurity of existence (Lenin 1932, xxiii-iv). The enclosure of the commons in the pre-capitalist stage of primitive accumulation resulted in the creation of a vast reserve army of surplus labour whose reproduction depended on the

selling of labour-power in a capitalist mode of production where surplus value could be extracted from the labour of the working class to serve the capitalist imperative of accumulation[19]. Marx recognized that the forces of production (land, labour, and capital) were subordinated to the relations of production (class relations within the labour process). In his analysis, uncompensated surplus labour formed the basis of exploitation, and the control over productive forces (such as land) by the elite class of capital stemmed from latter's economic, political, and ideological power that dominated the class of labour under a social system created through capitalist production (Peet 2006, 168-9). Though Marx spoke out against the exploitation of labour and the injustice of dispossession, he viewed capitalism as a necessary stage in history. In his view, the "the irrational, old-fashioned methods of agriculture are replaced by scientific ones" in a capitalist mode of production, and peasants, "that bulwark of the old society" are to be replaced by the wage-labourer (Marx 1954, 474) through paths of agrarian transition that can either be dominated by private class coalition or by public agricultural commune. How the forces of capital would transform existing rural economies over time became a subject of critical importance among scholars, and the debate that continues to this day

[19] Jason Read (2002) has argued that observers tracing the causal logics of capitalism, namely, the historical conjunctures, the sets of social forces, and the interventions that bring particular capitalist relations into being, have overlooked important historical facts: the movement to enclose agricultural land which began in 15th century England was driven by a class of landlords quite distinct from the class of manufacturers that would later profit from the availability of landless people desperate for waged work. In other words, the class that required proletarians was different from the one that evicted peasants (Li and Semedi 2010: 15).

was framed in the context of the 'agrarian question' first posed by Karl Kautsky at the end of the 19th century.

Within political economy, Kautsky's *The Agrarian Question* (1988) first published in 1899, along with the foundational writings of Lenin and Engels[20] of that same period, have formed a distinct field of enquiry concerning rural transformation related to issues of labour and capital, agrarian capital, and rural capital accumulation (Akram-Lodhi and Kay 2009, 7). Kautsky defined the agrarian question by asking "is capital, and in what way is capital, taking hold of agriculture, revolutionising it, smashing the old forms of production and of poverty and establishing the new forms which must succeed?" (Banaji 1980, 46).[21] In essence, the agrarian question centered on the transformation of pre-capitalist agrarian classes by the emergence of capitalist social relations of production that saw the displacement of predatory landed property and the dispossession of the peasantry through the enclosure model of agrarian transition and proletarianization as outlined by Marx (Bernstein 2006, 450). While Engels highlighted how the development of the capitalist form of production had "cut the life-strings of small production in agriculture," both Kautsky and Lenin viewed the force behind rural political and social transformation as a process that facilitated the emergence of the capital-labour relationship through capitalist industrialisation that would revolutionize property relations

[20] See Vladimir Ilyich Lenin's *The Development of Capitalism in Russia* (1899, 1964) and Freidrich Engel's *The Peasant Question in France and Germany* (1894, 1950).
[21] See A. Haroon Akram-Lodhi and Cristóbal Kay (eds) (2009) *Peasants and Globalization: Political Economy, rural transformation and the agrarian question* for comprehensive historical and contemporary debates on the agrarian question and the fate of the peasantry in a globalized world.

and lead to the predominance of private property (Akram-Lodhi and Kay 2009, 7-8). Such processes of agrarian transformation did not occur without struggle, however, nor was the system of social-economic relations among the peasantry and emerging capitalists free of contradictions. In reference to the Russian agrarian changes of the early twentieth century, Lenin listed the struggles and contradictions that were inherent in every commodity economy and every order of capitalism as being

> ...competition, the struggle for economic independence, the grabbing of land (purchasable and rentable), the concentration of production in the hands of a minority, the forcing of the majority into the ranks of the proletariat, their exploitation by a minority through the medium of merchant's capital and the hiring of farm labourers.
>
> (Lenin 1982, 130)

These contradictions would form the basis of class struggle between capital and labour. Pre-capitalist and capitalist processes of accumulation, which saw the dispossession of the peasantry of land on the one hand, and the extraction of surplus value from labour on the other, thus became increasingly entrenched within a capitalist mode of agricultural production.

Though Marx considered expropriation and the expulsion of agricultural populations as a form of primitive accumulation that was a necessary precursor for the development of capitalist mode of production and not a means of capitalist accumulation (Marx 1954, 668), others have carried this argument one step further. Citing Rosa Luxemburg's *The Accumulation of Capital*, David Harvey (2006) points to her analysis that brings together the exploitation of living labour in production and the appropriation of productive assets such as land through either force, fraud, or predation as two aspects of social accumulation that are "organically linked" and that form "the historical career of capitalism [that] can only be appreciated by taking them together" (Harvey 2006, xvi). According to Luxemburg, both aspects of capitalistic accumulation, one concerning the commodity market and the other associated with the place where surplus value is produced, come to rely upon the keen dialectics of scientific analysis to rationalize how the right of ownership changes into appropriation of other people's property and how commodity exchange turns into exploitation (Luxemburg 2003, 432). She rejected Marx's account of primitive accumulation as being solely an attribute of capitalism's pre-history, and instead she designated the on-going twin processes of exploitation and dispossession as inherent features of capitalism's "imperialistic plunder of non-capitalistic social formations" (Harvey 2006, xvi). Harvey extends her argument by noting that such predatory activity has in essence become internalized within neoliberal capitalism and that 'accumulation by dispossession' is a more accurate and appropriate term for what has traditionally been referred to as primitive accumulation (Ibid., xvii). Viewed in this light, resistance to

neoliberalisation and capitalism thus exhibits a dual character: the first involving struggles against dispossession, while the second relating to class struggles characteristic of the labour process that have long dominated Marxist politics. The nature and intensity of these struggles are largely shaped by capitalism's inherent cycles of slump, boom, and crisis deemed to be "the most striking peculiarity of capitalist reproduction" (Luxemburg 2003, 7), and in order to better understand the cyclical crises of capitalism, it is important to first examine the internal dynamics of capitalism as first outlined by Marx.

Capitalism, being highly dynamic and expansionary, operates along complex inner laws of motion within a capitalistic mode of production, and it embodies fundamental contradictions between production and exchange that inevitably leads to periods of crises which Marx sought to explain according to his distinct theories of crisis. His first theory, characterised as a 'profit-squeeze' theory, illustrates how labour organisation and labour scarcity drive down the rate of accumulation to a point of crisis for the capitalist class and for the capitalist system as a whole (Harvey 2006, xxiii). In a more contemporary context, this theory can be linked in part to the economic crisis of the 1970s, though the end of Keynesian welfare economics at that time and the progressive undermining of organised labour by capital interests over the past few decades have made this theory less relevant in explaining the current global economic crisis.[22] Marx's second theory of crisis, known as

[22] See Section III 'A System in Crisis: The Political Economy of Globalisation' in *Tools for Change: A Handbook for Critical Development Studies*, Henry Veltmeyer (ed) (forthcoming). Doctoral Programme in Development Studies,Universidad Autónoma de Zacatecas, CDS Network (2009).

the 'falling rate of profit,' relates to the constant pursuit of higher profits that drives the competitive search for labour-saving innovations resulting in the displacement of living labour (the source of all value and surplus value in Marxian theory) from production which brings about a trend toward a falling rate of profit (Stilwell 2006, 139-40). In other words, as capitalists continue to accumulate capital and expand their businesses by investing in technology that increases productive capacity and reduces the need for labour, the rate of profit declines when expressed as a ratio of total capital outlaid and the surplus value generated. Marx noted, however, that offsetting forces could help avert this tendency toward crisis in the short-term: increasing the intensity of labour (faster work pace, longer days) or depressing wages (reducing the value of labour power) would lead to an increase in surplus value, but would not prevent capitalism's cycles of accumulation followed by recession (Ibid., 140). A final strand of Marx's theory of crisis is defined by the problem of 'underconsumption' also known as a deficiency of effective demand whereby capitalists are reinvesting and workers are consuming less value than they produce leading to a productive surplus that cannot be consumed on the market (Harvey 2006, xxiii). He recognized a crucial contradiction within a capitalist model of production that ultimately restricted the purchasing power of the masses whereby

> the realisation of commodity capital and hence also of the surplus value, is limited not only by the consumption requirements of society in general, but by the consumption requirements of a society in which the great majority are poor and must always remain poor.
>
> (Stilwell 2006, 142)

Harvey (2006) acknowledged that each theory advanced by Marx revealed important dimensions of the contradictory dynamics of capitalism, but he added that they should all be seen as the surface manifestations of a deeper problem being that of a tendency towards overaccumulation. In this analysis, a crisis arises when surplus-value-producing technological change is coupled with the capitalist social imperative of 'accumulation for accumulation's sake' leading to a surplus of capital relative to the opportunities to employ that capital productively (Harvey 2006, 192). The overaccumulation that stems from the contradictions between the productive forces and social relations within the process of circulation of capital results in a declining rate of profit that in turn creates an impetus for capitalism to seek out new opportunities for accumulation through what is termed 'accumulation by dispossession.' In a contemporary setting, where overaccumulation "has been the spectre that has hovered over the global economy since the 1970s" (Bello 2007, 15), accumulation by dispossession can be exacted in a number of ways. In relation to agricultural development and rural landscapes, this particular form of capitalist accumulation can include the commodification and privatisation of land, the forceful

expulsion of peasant populations, the conversion of various property rights into exclusive property rights, and the suppression of rights to the commons, to name a few (Harvey 2005, 159). Furthermore, with the closing of the frontiers of accumulation 'through sheer exhaustion of possibilities,' capitalism must also invariably seek out fresh sources of labour power (Harvey 2006, 437-8, 443) in pursuit of what Marx identified as the 'original sources of all wealth,' the land together with the labourer (Marx 1954, 475) which leads to a critical attribute of the global agrarian transformation that is currently underway: the role and fate of the peasantry and their increasing incorporation into commodified modes of capitalist agricultural production.

2.14 The Differentiation of the Peasantry and Contract Farming

The principal debate concerning the peasantry in the context of agrarian transition from pre-capitalist to capitalist societies centers on the key issues of peasant differentiation and the persistence of the peasantry. One perspective advanced by renowned peasantry historian, Eric Hobsbawm, is captured in his assertion that the "most dramatic and far-reaching social change of the second half of this century, and the one which cuts us off for ever from the world of the past, is the death of the peasantry" that was at last evidently coming true in alignment with "Marx's prediction that industrialization would eliminate the peasantry" (Hobsbawm 1994, 289-90). The main assumption in this case is that as capitalist agricultural production gains greater prominence in the countryside, increased commoditization and commercialization of agrarian societies would lead to the

formation of distinct rural classes: a class of capitalist farmers (former landlords or richer peasants), a larger class of labourers (with or without land), and a 'middle peasantry' that was largely self-sufficient though was expected to be progressively squeezed out through the process of rural differentiation (Harriss 1982, 24). This meant that the class of 'middle peasantry' that was primarily engaged in petty commodity production (subsistence farming) and still retained access to the means of production (land) would eventually no longer be able to socially reproduce under the transformative forces of capitalist agricultural accumulation and would come to rely on the selling of their labour power for their reproduction. The other side of this debate drew attention to the persistence of the peasantry, its ability to retain a degree of control over land and family labour and to engage in farming despite the growing pressures of capital and the subordinating tendencies of globalization and capitalist agricultural production. Agro-ecologist Miguel Altieri notes that hundreds of millions of small farmers in the Global South still produce the majority of staple crops needed to feed the planet's rural and urban populations, a testimony, not only to the persistence of the peasantry, but also to their efficiency in land use given that most farm on parcels of less than two hectares (Altieri 2008). Proponents of this perspective argue that peasants are not relics of a pre-capitalist by-gone era, and that they indeed have a place in creating a world free of hunger. Within this on-going debate the term "peasantry" itself remains highly contested,[23] and for the purposes of this study "peasants" will be broadly defined to mean

[23] Henry Bernstein (2006:454) states that "nothing is gained, and much obscured, by characterizing

landless or near-landless tenant and farmers, farm workers, and other rural wage labourers and rural semi-proletariat (Borras 2007, 4).

The class differentiation of the peasantry as a central dynamic to capitalism in the countryside is rooted in the classic 'Lenin-Chayanov' debate that resonate to this day in contemporary development discourse in agrarian studies. In reference to the emergence of capitalist agricultural production in Russia at the turn of the twentieth century, Lenin determined the peasantry as being completely subordinated to the market and was being transformed into new types of rural inhabitants, namely, a smaller class of rural bourgeoisie class (rich agrarian capital), a majority class of rural proletariat (poor wage-labourers), and a minority class of middle peasants that would eventually see some joining the rich with a majority joining the poor over time (Lenin 1982, 130-31). In his view, the old peasantry was not only differentiating, it was being completely dissolved and ceasing to exist. According to Lenin, the majority of the middle peasantry existed in extremely precarious conditions and could not make ends meet without the sale of labour power or by resorting to alternative income sources outside of farming. In keeping with the characteristics of a capitalist economy, he concluded that "the middle members are swept away, and the extremes [rich bourgeoisie and poor proletariat] are reinforced" (Ibid., 133-34). The differentiation of the peasantry was regarded by Lenin as being

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contemporary small farmers as 'peasants,' while Henry Veltmeyer (2006: 445) argues that peasants are a 'historical anachronism, unable to survive the dynamics of the capitalist development of agriculture." For further insights about this debate, refer to Wolf (1969) and Landsberger (1974).

central to the development of capitalism and the class dynamics of its 'laws of motion' theorised by Marx, and he added significantly to the latter's model of agrarian transition that was based on the British 'enclosure' model of primitive accumulation (Bernstein 2009b, 61). The processes of agrarian transition involving the transformation of landed estates into capitalist farms and the peasantry into wage labour were central to the accumulation of agrarian capital, and led to a process of 'depeasantisation' according to Lenin that was a natural progression of a capitalist economy that aimed to increase the productive capacity of agriculture deemed essential to industrialisation.

Alexander Vasilevich Chayanov, a contemporary of Lenin and holder of the leading chair of agricultural economics in Soviet Russia, rejected Lenin's analysis of peasant differentiation and derived his own theory of peasant economy that revealed resilient and enduring peasant households based on family labour. He challenged the validity of applying standard profit-seeking models of classical and neoclassical economics to analyse small peasant farms and argued instead that family economics centered on the concept of 'labour-consumer balance' that involved varying degrees of self-exploitation dependent on demographic cycles within the household (Thorner 1966, xiii-xvii). These demographic cycles, described as a recurrent process of generational reproduction in peasant households, involved an ever-changing ratio of producers (working adults) to consumers (working adults and dependents) that required variable rates of self-exploitation through an increase the length and intensity of agricultural work to meet

simple reproductive needs. He countered that the apparent inequality among the Russian peasantry in terms of land size and instruments of labour was not a result of class formation, but rather reflected the demographic cycles of particular households that adhered to a logic of peasant economics (simple reproduction) and not the capitalist imperative of accumulation for its own sake (expanded reproduction) (Bernstein 2009b, 59, 61). Chayanov concluded that not only were family farms economically viable "the competitive power of peasant family farms versus large-scale capitalist farms was much greater than had been foreseen in the writings of Marx, Kautsky, Lenin, and their successors" (Ibid., xviii). In this regard, he rejected Marx's law of increasing division of labour in society that stated that small-scale peasant agriculture must inevitably give way to large-scale capitalist agriculture, and he saw the continued existence of peasant subsistence agriculture based on household labour as an enduring feature of the countryside that played an important role in agricultural production.

In contemporary development discourse, Chayanov's work remains a source of on-going debate within the larger discussion of the role of the peasantry in global agricultural production, and it continues to serve as a rallying point for advocates of a peasant economy and peasant agriculture "from below." Echoing Chayanov, James C. Scott (1976, 4, 27) notes how the peasant household "has little scope for the profit maximization calculus of traditional neoclassical economics" and relies on the moral economy of subsistence ethics where "shared values and social controls combine to

reinforce mutual assistance." This moral economy can help offset the hardships of 'self-exploitation' and 'hunger rents' (another Chayanovian term) that refers to situations where land-poor peasants with few labour outlets are willing to pay high prices for land to reach an adequate subsistence level for the family. Given that peasants generally live close to the subsistence margin and are typically risk averse regarding agricultural practices, Scott highlights how both 'self-exploitation' and 'hunger rents' "conspire to drive peasants to tragic choices and allows others, in turn, to extract high returns from their predicament" (Ibid., 14-15). This is particularly relevant today in much of the developing world where poverty continues to be largely concentrated in rural settings against a backdrop of rapidly transforming agricultural landscapes, and where peasant production appears to be more than a transitory form of petty production as modernist Marxists may claim. Under the heading of neopopulism and in reference to the persistence of the peasantry, Farshad Araghi points out that for Chayanovians, history for the most part has corresponded to theory in that in the developing world peasantries are numerous and show weak signs of rapid class differentiation (Araghi 2009, 117). In support of this argument, Arturo Warman (1988, 499) reminds us that "peasants make up the majority of humanity." As noted earlier, however, the terms peasants and peasantry are contested ones, and neopopulists who look to Chayanov's writings and other works[24] in support 'the peasant way' draw criticism from the likes of Henry Bernstein who

[24] See Michael Lipton (1977) *Why poor people stay poor. A Study of urban bias in world development* for populist arguments for redistributive land reform under the notion of 'efficiency and equity.' Also see *Journal of Agrarian Change* 2004, Vol 4, a special edition devoted to the inverse-relationship debate and redistributive land reform.

delivers a sharp critique centered on how advocates of a peasant economy ultimately lack specification of "alternative systems of production" and ignore "issues of feeding the world's population" (Bernstein 2009a, 74-75). Though the issue of peasant food production falls outside of the scope of this research project, it is central to the ongoing debate of the role of the peasantry in agricultural production, and naturally leads to a critical theme in agrarian studies: the growing subordination of the peasantry to global capital through the increased commodification of agricultural production.

Gaining insight into the processes involved in transforming peasants from simple subsistence producers into commodity producers for the capitalist purpose of exchange is essential to understand how and why the global peasantry is being progressively subordinated to capital. In its initial stages, the relations between capital and peasants have been 'deposited' historically by the destruction of pre-capitalist modes of production during the colonial era that generally involved an initial phase of coercion to establish conditions of peasant commodity production (i.e. taxes, *corvée* labour), whereby the latter eventually became an economic necessity to maintain reproductive cycles of the household (Bernstein 1982, 163-64). The commoditization of production has thus led to the incorporation of small-scale producers into markets by having production for subsistence replaced or subsumed by production for exchange. Though this process was by no means uniform or linear in developing countries and it resulted in extreme unevenness both between social formations and within them (regional differentiation),

some general historical themes prevail. The colonial states established conditions of exploitation of labour along two main patterns of exploitation: the first required the alienation and appropriation of land for production of agricultural or mineral commodities which created a continuous labour supply for settlers or capitalist companies; and the second established peasant commodity production which did not involve the direct separation of the producers from the means of production, nor changes in instruments and forms of labour processes (Ibid., 161-62). This gave rise to a form of dual economy where subsistence farming co-existed alongside agricultural commodity production for export or local consumption which allowed for agrarian capital accumulation from peasants engaged in production for markets and who still retained control over and/or access to land though in insufficient amounts to ensure social reproduction (Harriss 1982, 22). Over the course of the post-war nation-building era, where industrial interests, local capital, and the state worked together to control agricultural production of traditional and non-traditional export crops, peasant farmers experienced a 'simple reproduction squeeze' as commodity prices fell, inputs costs increased, and land productivity declined over time. As commodity relations and acquisition of income increasingly became a condition of reproduction, shortfalls led to cycles of indebtedness, 'starvation rents,' or 'crop-mortgaging,' in addition to an intensification of household labour to maintain or increase commodity production (Bernstein 1982, 167-8). The reproduction 'squeeze' therefore, provided an opportunity for greater capital accumulation from increased labour intensity, higher rents, and

production surplus extraction that further entrenched growing inequality and rural social differentiation.

Contract Farming

In the early 1980s, contract farming increasingly came into use in developing countries as a form specialised intensification of commodity relations that brought small producers into more direct contact with productive capital. The theoretical debates pertaining to contract farming reach back to the formative period of agrarian transformation in Europe (see Lenin 1964; Kautsky 1988; Chayanov 1966) where two competing models of development emerged: one involving large, enterprise farming and wage labour, and the other relying on small, household-based family units vertically linked to capitalised enterprise. Though contracted export-crop cultivation by peasants is in itself not new as in the case of classic plantation economies for such crops as coffee, sugarcane, or tobacco, for example, contract farming did represent new organisational forms of production, processing, and production linking smallholders by contract to a larger agribusiness core which exercise varying forms of control (and varying degrees of coercion) over the production process (White 1997, 101). As noted by Michael Watts, these developments have profound implications for economic opportunity and welfare, as well as for the structure of rural society itself in that

> the dispersion of contracting marks something of a watershed in the transformation of rural life and agrarian systems in the Third World...[and] signifies both the advance of the industrial appropriation of rural production processes...and of the social integration of agriculture associated with transnationalization.
>
> (Watts 1994, 24)

Earlier, Sanderson (1985) had already drawn attention to the implications of an increasingly internationalized agriculture that incorporated a new international division of labour in agriculture in which transnational agribusinesses and local firms refashioned colonial models of agriculture and development as a means of deepening the processes of capital accumulation. The rise in prominence of contract farming as an approach to development can be traced back to the 1981 World Bank Berg Report, A*ccelerated Development in Sub-Saharan Africa,* which mapped out a strategy for growth in agricultural production that would lead to increased productivity and poverty reduction. This strategy emerged, not coincidentally, at a time when structural adjustments programmes (SAPs) were undermining the state's role in agriculture, privatization and liberalization policies were being implemented, and foreign investors were seeking new outlets for investment in the agricultural sector (Smaller and Mann 2009, 1). Advocates of 'outgrower' schemes and contract farming (Glover 1984; Williams and Karen 1985) pointed to the prospect of a path out of poverty through a 'dynamic partnership' between

small and large private enterprises and peasant growers that upheld the rights and interests of all parties. In addition, contract farming was claimed to confer the advantages of technological and productivity enhancement, and to provide wealth for an emerging prosperous middle class, as well as national governments in the form of greater foreign-exchange revenues (Little and Watts 1994, 7). In this model of agricultural development, agribusiness was unequivocally considered to be the 'primary agent of change' (Williams 1985).

Contract farming distinguishes itself from conventional capitalist commodity or smallholder subsistence agricultural production in a number of ways, and it relies on a distinct labour process that resembles a form of neo-Fordism or 'flexible accumulation' in sectors of industrial capitalism where peasants work as de facto piece workers. Glover and Kusterer (1990, 4) define contract farming as an arrangement between a grower and firms in which non-transferable contracts specify one or more conditions of marketing and production. Yet, as Little and Watts (1994, 16) point out, it in fact disguises a wage relationship between buyer and grower so that peasants become mere hired hands on their own land further subjugating labour rather than enhancing farmer autonomy. According to Payer (1980), contract farming serves the interests of large scale capital by allowing for surplus profit to be captured by the 'core' and not the producer directly and by transforming peasants into a class of virtual 'development peons,' or as Watts (1994, 71) notes 'disguised proletarians' where "peasants produce under contract in varying

positions of unfreedom." The lack of freedom in this case relates to how a 'free' peasant is converted into an unfree grower as a result of a commodity production contract that sees the contractor directly and indirectly control the overall production process with flexible household peasant labour acting as building blocks for capitalist development. As such, contract farming extends a number of other advantages to agribusiness in that it shifts the risks onto the farmer, it reduces the cost of labour management where farmers contract to sell their crops, and contracting firms may gain access to unpaid household labour (women and children) thus taking advantage of the Chayanovian capacity of family farms for 'self-exploitation' (White1997, 105). In this regard, the contract speaks directly to how social relations shape what Marx called the effective control of the means of production and of labour power, and how the labour process is in essence a structured relationship between labour and the means of production.

When considering the social organisations of contract farming and the social relations embedded within the model of agricultural production, some benefits can accrue to peasant farmers, though these can be largely overshadowed by important disadvantages and the potential risks of exclusion that arise with respect to poorer segments of smallholder households. In noting some of the advantages for smallholder farmers, White (1997, 105) highlights that, to some degree, contract farming does insulate producers from the open market, it provides more reliable income, and it allows smallholders to capture benefits of economies of scale including access to inputs, support

services, and markets. Bernstein (1996), however, emphasises that as with all food commodity chains, the setting of prices along various points in the producing, processing, and marketing chain is not a matter of 'real' value-added or supply-demand interactions, but rather reflect the social and political bargaining strengths of respective parties, which in the case of contract farming, according to Mackintosh (1990), institutionalises monopoly and monopsony relations. Furthermore, contract relations may systematically exclude segments of the rural poor by targeting prosperous middle peasants or full-fledged capitalist growers (Little and Watt 1994, 54), and can thus lead to greater social differentiation and a widening gap between the rich and the poor in rural settings. In 'The Moral Economy of the Contract,' Clapp (1994, 79 & 92) underlines how the contract is primarily a social relation of domination and an attempt to naturalise an unequal social relationship and to represent that inequality as just. It is in part for this reason that the dominant theoretical model of contract farming put forward by Binswanger and Rosenzweig (1986)[25] is criticised for their disregard for the social and political contexts of contract production and for their exclusive emphasis on the technical characteristics of contract commodities (Little and Watt 1994, 12). Similarly, mainstream attempts to define rural poverty strictly in residual terms of exclusion from the benefits of markets, in essence seek to 'render technical' (Li 2007) what remains a

[25] In their article 'Behavioural and material determinants of production relations in agriculture,' the authors offer an analysis of production relations in agriculture by exclusively examining behavioural and technological factors. They adopted an institutional / neoinstitutional framework that emphasised informations costs, market incentives, and property rights, while defining farmers and rural workers as self-interested individuals that valued consumption and disliked effort (535, 507-08).

problem of class relations shaped by unequal access to power and productive resources, and endeavours to depoliticise the development process and the deepening of rural social differentiation.

2.15 Chronic poverty, Social Exclusion, and Adverse Incorporation

Strategies and development policies aiming to reduce rural poverty differ radically depending on the approach that is adopted as a solution to poverty, which in turn reflects the underlying view as to the root causes of chronic poverty. Mainstream development theory and practice has typically adopted a residual approach to poverty, which posits that poverty is a consequence of being 'left out' of development initiatives, and that the solution to poverty lies in ensuring that the poor are 'included' in the development process (Bernstein 1992, 24). From this perspective, pro-poor initiatives involve having the private sector bring the market to the rural poor, with the state forging strategic public-private partnerships to promote the agribusiness sector, while at the same time supporting the greater inclusion of smallholders and rural workers (WDR 2008, 8). As such, this model takes a narrowly focused approach to poverty reduction by relying exclusively on economic factors and market mechanisms to 'include' those who are typically 'excluded' from the benefits of growth. In contrast, a relational approach recognizes the economic, social, political, and cultural dimensions of rural poverty. It begins by attributing the root causes of poverty to social relations of production and reproduction, or of property and power, that characterise certain types of development

such as those associated with the growth and spread of capitalism (Bernstein 1992, 24). This model stipulates that poverty, as an embedded social relation, is being produced and reproduced within economic, social, political, and cultural systems, and that the long-term solution to poverty and inequality ultimately rests on major reforms that address the multiple imbalances in each of these areas (Kay 2006, 494). Poverty, as viewed by the relational approach, extends beyond simplistic economic models of inclusion and exclusion as described by proponents of the residual approach.

Out of this debate centered on the causes of chronic poverty and how to resolve it, there emerged the concept of social exclusion that sought to capture the multidimensional nature of poverty and the processes that allowed it to propagate within a social system. Broadly defined, social exclusion can be seen as "a lack of access to economic resources and public services, such as education, health, and housing, that address the population's basic needs" (Veltmeyer 2007, 67).[26] More specifically, it can be described as the marginalisation and deprivation which arise when processes of economic and social transformation render 'traditional' systems of welfare and social protection inadequate or obsolete (Hickey and du Toit 2007, 2). In addition, the economic, political, and cultural dimensions of social exclusion are considered to be inter-related and self-reinforcing processes that perpetuate the problem of poverty across a diversity of rural and urban settings. Social exclusion, as a concept, thus makes an important contribution to

[26] See Veltmeyer (2007, 90-91) for an elaboration on six pillars of social exclusion that is derived from the way production is organised on the basis of capital-labour relations.

development and poverty studies by i) contextualising poverty within social systems and structures; ii) focusing on causality; iii) identifying the multidimensional nature of deprivation that goes beyond the usual 'income plus human development'; iv) identifying the political aspects related to social rights, political freedom, and equality of opportunity; and v) recognising the importance of politics and history (Hickey and du Toit 2007, 3). In this regard, social exclusion allows for a deeper critical analysis of chronic poverty with the understanding that persistent poverty is inherently rooted in social and political norms and institutions. Du Toit (2004, 987), however, also offers a critique of social exclusion by arguing that the most common usage of the term generally fails to capture how poverty can flow, not only from exclusion, but also from processes of integration into broader economic and social networks. Echoing this interpretation, Bush (2004, 673) qualifies that it is the 'differential incorporation' of the poor into economic and political processes that gives rise to poverty, not exclusion per se, while Kay (2006, 462) suggests that its may be more appropriate to distinguish between different degrees of exclusion, or to speak of 'exclusionary inclusion' or 'discriminatory inclusion.' Within this context, the notion of 'adverse incorporation' came to embody a more fitting term that captured the complexity of how market forces propagated chronic poverty.

Hickey and du Toit (2007, 1-2) argue that the term 'adverse incorporation' was "used to 'clear away' some of the conceptual and ideological baggage that the term social exclusion is argued to have accumulated along the way, and to make space for a more

explicit focus on power relations, history, social dynamics, and political economy." The authors acknowledge that though the concept of social exclusion has enriched and enhanced development studies in significant ways, a number of important criticisms have, nonetheless, emerged in recent years. First, it often ignores the ways in which the terms of inclusion can be problematic, disempowering or inequitable; second, it emphasises the expectations that the poor people 'will somehow be able to pull themselves up by their bootstraps'; and third, it tends to uncritically apply western concepts of 'social exclusion' to poverty reduction policies without understanding what 'exclusion' might mean in different cultural contexts (Ibid., 2-3). In addition, social exclusion has been criticised for its emphasis on the residual aspects of poverty, rather than on the relational processes that drive poverty. Critics of the social exclusion discourse have thus argued that 'differential,' or adverse incorporation into the state, the market, or civil society is perhaps more appropriate when investigating chronic poverty,[27] all the while recognizing that adverse incorporation and social exclusion stand in a complex relation to one another (Hickey and du Toit 2007, 7). Significantly, adverse incorporation helps draw attention to ways in which capitalist 'free-markets' create wealth for some, while also generating and perpetuating poverty for others (Harriss-White 2005), which is overlooked in neoliberal interpretations of social exclusion and poverty reduction initiatives. Adverse incorporation will serve as an important lens of analysis when examining the processes related to contract farming schemes characteristic of Indonesia's oil palm industry.

[27] See Murray 2001; Bracking 2003.

2.2 Global Land Politics under a Neoliberal Regime

2.21 Land Reform – A Brief Overview

With more than three quarters of the world's poor residing in the countryside, it stands to reason that rural poverty should figure prominently in contemporary development agendas and that issues related to access to, use of, and control over land occupy centre-stage of any rural pro-poor development strategy. It has long since been argued that the lack of access to land is strongly related to poverty and inequality (see Griffin 1976; El-Ghonemy 1990; Kay 2005), and that the effective control by the rural poor over productive resources like land remains crucial to their capacity to construct a rural livelihood and to overcome poverty (Borras, Kay, and Akram-Lodhi 2007, 1). At the 2006 International Conference on Agrarian Reform and Rural Development (ICARRD), a number of key points emerged related to rural poverty and land: 1) a significant portion of income for the rural poor come from farming despite livelihood diversification; 2) the lack of control over land and water resources was accompanied by poverty and inequality; and 3) land had multidimensional attributes in that it provided an economic livelihood, it offered a socio-political means by which the poor could exercise citizenship rights, and it embodied cultural dimensions that helped preserve a people's collective identity and dignity (Borras 2008, 2). Among scholars and policymakers from a diversity of ideological perspectives, there is a general consensus on the relevance of land reform to economic development and rural poverty eradication, though opinions differ as to the

type of development land reform should target, and toward what developmental end should rural surplus be directed. As noted by Borras (2008, 4), "despite the series of agrarian reform and rural development interventions in the past, landlessness and rural poverty remain a great problem in developing and transitions countries," and the best way to set about to resolve these problems and address the issues of land and labour productivity remain points of heated debate and competing perspectives.

Historically, up to the early 1980s, land reform had been primarily state-led and redistributive in nature, and the period from the 1940s to the 1970s in particular was what Eric Wolf deemed the last phase of 'peasant wars' (Wolf 1969), thus marking the end of the 'golden age' of land reform in recent history (Bernstein 2006, 452). Under the rubric of a 'state-building agenda', this state-led redistributive land reform was initiated for two dominant reasons: either economic or socio-political.[28] On the one hand, the economic justification for land reform centered on the debate of under-utilised land on large farms versus the low productivity of labour on small farms which led to a collectivist type of land reform in socialist countries, while capitalist nations used land reform to develop private property rights (Borras *et al.* 2007, 5). The socio-political reasons behind land reform, on the other hand, related to a host of complex and interlinked factors ranging from post-World War II decolonisation (King 1977; Migdal 1988; Matondi and Moyo

[28] See Akram-Lodhi, Borras Jr, and Kay (2007) *Land, Poverty and Livelihoods in an Era of Globalization*, Oxon/New York: Routledge for a detailed historical overview of agrarian reform and rural development, as well as current issues related to land reform.

2003), Cold War geopolitical and ideological imperatives (O'Laughlin 1995; Ross 1998), national projects resulting from victorious peasant-based revolutions, incidents of rural unrest, and finally, efforts by the state to legitimize and/or consolidate hold on state power (Borras 2008, 5-6). These socio-political factors of influence and forces of change prompted state-led land reform that resulted in a diversity of outcomes across a variety or rural settings. In short, these land reforms were pursued for different purposes by different social and political forces through more or less radical means (Bernstein 2006, 452) and typically involved the conversion of large estates and privately held tracts of land to small shareholders (Cypher and Dietz 2009, 379). It is important to note that post-war land reforms occurred within dominant 'protectionist' development strategies, and that in general, the over-arching goal of redistributing land to all poor households in need was only partially achieved in most scenarios, except in the cases of Cuba and China where redistribution was nearly fully completed (Borras 2008, 3-4).

By the end of the 1980s, however, land reform abruptly disappeared from development policy agendas, there was a lack of political will to pursue land reform, and national governments simply placed agrarian reform initiatives in a dormant state. It is within this historical juncture that neoliberal pro-market land policy reforms began to take shape against the backdrop of the Third World debt crisis and the World Bank-IMF SAPs that imposed severe macro-economic policies that, in essence, deprived states of the financial means and the capacity to implement land reform (Borras *et al.* 2007, 11). In addition,

the agricultural sector had also entered into low productivity crisis in a number of countries that had established collective farming, creating an undercurrent of discontent regarding existing land reforms.[29] Partially in response to the problem of low agricultural production, technological innovations from the 1970s onward incorporated new farm mechanisation and rural infrastructure with the high-yield-variety packages of the Green Revolution (Griffin 1974) that significantly increased crop yields and helped address the problem of food shortages and hunger in many parts of the developing world. This technical solution, to what is largely regarded as a socio-political problem of unequal land distribution that lies at the root of rural poverty, was able, for a time, to subdue the call for land reform and averted the need for any new state-led redistributive policies. Another important factor that led to the absence of land reform initiatives throughout the 1980s was the relative calm and lack of militancy from within peasant societies which had, in the past, played a critical role in agitating for land redistribution during the so-called 'golden era' of land reform (Borras *et al.* 2007, 12). The end of the Cold War marked the final and definitive driving force behind the land reform lull, as pre-emptive agrarian reform was no longer required to prevent the spread of communism, and the triumphant West was now in a position to further extend and deepen the reach of capitalist accumulation of a decidedly neoliberal 'free-market' nature. This new global economic and political context would bring with it new concerns and challenges related

[29] See Kerkvliet (2005) for Vietnam and O'Brien (1996) for China.

to growing poverty and inequity in the rural global South and would eventually lead to a return of land reform to mainstream development agenda by the 1990s.

Land reform re-emerged in mainstream policy as a result of the on-going economic and socio-political concerns cited earlier that now extended to include broader issues of gender, the environment, human rights, ethnic violence, and indigenous land rights, all within the larger context of rapidly changing global economic and socio-political conditions (Borras 2008, 4). A resurgence of land-based political conflicts 'from below'[30] forced national governments to respond, while the international community sought to interpret the implications of such up-risings. It appeared that Ronald Herring (2003) had been correct in observing that land reform had never really left the political agendas of peasants despite the hiatus of the 1980s, and that the socio-economic conditions of the 1990s created a space for land reform to re-emerge. Another important factor linked to the resurrection of land reform was its role in helping solve problems of poverty and social exclusion in post-conflict peace-building processes in such countries as El Salvador, Guatemala, and the Philippines, as well as in the case of post-apartheid South Africa where land and leasehold reform policies were being adopted, or in post-dictatorship Indonesia where land policies became a point of heated debate (Borras *et al.* 2007, 13-14). The need for the restructuring of large estate and collective farms in former socialist countries following the end of the Cold War also played a critical role in

[30] For example, the Chiapas uprising in southern Mexico, the state-instigated land invasion in Zimbabwe, and the militant peasant land occupations in Brazil (Borras *et al.* 2007, 12-13).

bringing the question of land and property rights back to the forefront of development discourse (see Spoor 2007, 2003; Deininger 1995, 2002), as did the changes brought to the agricultural sector of existing socialist countries where various new land-based property rights were implemented (see Akram-Lodhi 2004, 2005; Kerkvliet 1993, 2005). In the mid-1990s, as well, the persistence of poverty and growing inequality[31] in the developing world led to increasing criticism of neoliberalism's growth-oriented approaches to poverty reduction. This forced a return of land issues to mainstream development agendas, though under a new framework that coincided with the capitalist imperative of increasing productivity, and hence accumulation, within the global circuits of production, trade, and finance now universally known as 'globalization' (Akram-Lodhi and Kay 2009, 4). Within this context, a market-oriented approach to land access came to define neoliberal land policies that rested on the promotion of formal private and individual land property rights as a means of reducing poverty and which was to spur on economic growth and increase agricultural productivity.

2.22 Neoliberal Land Policies and a 'Code of Conduct'

The neoliberal land policies that emerged in the 1990s have come to represent the dominant mainstream approach to agrarian reform and are founded on pro-market principles that claim to better address issues of poverty, landlessness, and economic

[31] According to the UNDP, 20 percent of the world's population appropriates 87 percent of the global income, and that in less than three decades since the implementation of neoliberal economic policies, the dsitribution of world income, aggregated and calculated at the national level changed from 30:1 to 60:1 (Veltmeyer 2007, 17-18).

growth than the previous state-led initiatives of the past. In critiquing earlier attempts at land redistribution, Klaus Deininger and Hans Binswanger from the World Bank state that "most land reforms have relied on expropriation and have been more successful at creating bureaucratic behemoths and in colonizing frontiers than in redistributing land from large to small farmers" (Deininger and Binswanger 1999a, 267). They argued that state-led reform was economically inefficient in that it subdivided large productive parcels of land into smaller, less productive ones, that it granted land to recipients deemed 'unfit' to farm land productively, and that ultimately, the under-utilisation of land resources for productive purposes was the fundamental reason for low growth in agriculture and for rural poverty (Borras 2008, 52-53). The solution, according to the World Bank (2003), was to establish clearly defined property rights that would allow for private individual land rights to be traded in open land markets that would increase land access and security for the poor, while at the same time attracting greater investment in rural economies. Neoliberal land policies centered on the principle that "well-defined and secure land rights are critical to provide incentives for investment and sustainable resource management, to facilitate low cost transfers of land, and to credit access" (World Bank 2003, 1). In relation to rural poverty and land, the assumption was that the poor are poor because they lack access to productive resources and that insecure access to land leads to unstable livelihoods and low levels of investments in land by the poor (Borras *et al.* 2007, 14). New, pro-market land policies could, therefore, help overcome long-

standing problems of asset distribution and social exclusion (Deininger and Binswanger 1999b, 249).

The neoliberal stance on land policies which underlies the contemporary development policy discourse and practice thus centers on notions of 'free trade' and export-oriented agricultural and encompasses public and private lands where policies are carried out in four broad settings. The first represents the main target for privatization, namely public and/or communal lands where it is argued that systemic privatization and the individualization of property rights will transform these land resources into productive capital (Borras *et al.* 2007, 18)[32]. These lands are of particular interest for development and investment as they comprise vast tracts of land, as in the case of Africa where more than 90 percent remains outside of existing legal systems (World Bank 2003, 6) or Indonesia's 'forest estate' held under state control that includes 70 percent of the republic's total land mass (Peluso 1992). The second area of 'non-private' land addressed by neoliberal land policies relates to the privatisation and parcelisation of state and collective farms in capitalist and 'transition economies' with the understanding that private property rights will provide the necessary incentives to increase agricultural productivity and efficiency (Deininger 1995; Spoor 2003), as well as to allow for the emergence of a more fluid land market that was largely restricted by institutional limitations stemming from earlier land reform initiatives (Borras *et al.* 2007, 19). The

[32] For mainstream arguments related to land titling, registration, and related policies see Bryant (1996) and also De Soto (2000).

third setting upon which neoliberal land policies come into play involve private farms that are not considered productive or efficient due to persistent 'distortions' in land markets, according to mainstream economists, that enable such producers to continue to own and control land despite their low economic performance (World Bank 2003). The policy solution is to promote a form of non-coercive sharecropping tenancy reform through leasehold arrangements that may help the landless capitalise the returns of otherwise idle assets such as family labour and move up the 'agricultural ladder' leading to eventual land ownership (Sadoulet *et al.* 2001, 196-97). The final neoliberal policy agenda also pertains to private land, and in this scenario, it seeks to replace conventional redistributive land reform with a voluntary model involving 'willing sellers' and 'willing buyers' in a pro-market approach popularly known as Market-Led Agrarian Reform (MLAR) (World Bank 2003; 2005, 156-175). Collectively, these policies are considered by mainstream economists as being 'pro-poor land policies,' and they have come to embody the mainstream approach to poverty reduction and economic development.

In advocating for the formalisation of property rights in the context where land is used and accessed under customary tenure, the neoliberal mainstream model points to the lack of security inherent within traditional land holdings and to the limitations such tenure offers in addressing issues of rural poverty and increasing agricultural productivity. Traditional land holdings are seen as discouraging investment in land needed to increase its agricultural production. The *World Development Report 2006: Equity and*

Development highlights how customary systems "can be incompatible with economic, social, and civil rights," and that customary practices "are also seen as archaic and rigid – not amenable to modernization, efficient market relations, or broader development goals" (World Bank 2005, 159). Pursuing the issue of customary tenure as being an obstacle to poverty reduction and an impediment to growth, Klaus Deininger argues that such "insecure land tenure prevents large parts of the population from realizing the economic and non-economic benefits such as greater investment incentives, transferability of land, and improved credit market access" (Deininger 1999, 6). If one of the main purposes of obtaining property rights is to facilitate investment, as neoliberal land policies suggest, then land held communally and that is utilised in a complexity of ways as determined by community agreement, in essence lacks the security needed to promote capital investment, either local or external, and thus prevents growth in the agricultural sector and inhibits poverty reduction associated with economic growth. Hernando de Soto (2000), who provides much of the ideological grounding for contemporary neoliberal policies related to land, argues this point and reiterates that until clear, secure, and individual property rights are established, land held under customary tenure is 'dead' capital, and as such, cannot serve as collateral by individuals to make productivity-enhancing investments in the land to increase its output and to generate greater wealth. From this perspective, the privatization of communal property offers smallholders the opportunity to own land, to invest in it, and to raise its productivity, which is in keeping

with the World Bank's more recent 'discovery' of the inverse relationship[33] that links smallholder access to land with higher productivity. Regardless of the setting in which neoliberal land policies are enacted, however, the state is expected to play a necessary administrative role that falls under the rubric of 'land governance,' a term which has emerged in recent years as a distinct pole of the governance agenda and that has developed alongside the revival of land issues in development discourse.

Within mainstream agencies, land governance generally refers to the state's role in providing efficient technical and administrative support in such areas as cadastres, land titling, and land transactions as required by contemporary pro-market land policies. The FAO (2007a, 1-5) outlines how governance involves private sector and civil society working alongside the government, and that one of the state's primary responsibilities in land administration is to provide security of tenure. Providing land tenure security is in-step with the role assigned to the state by the World Bank, the land governance model directs the state to support market development by "improving the investment climate for the private sector...and in better natural resources management by introducing incentives and assigning property rights" (World Bank 2007, 23). The issue of tenure security is of central importance to land governance, though Lorenzo Cotula of IIED cautions that by 'importing' a one-size-fits-all legal model in a context where extensive legal pluralism

[33] Akram-Lodhi, Kay, and Borras (2009) argue that instead of questioning the social and economic failures of the 1980s and 1990s, the World Bank opted instead to 'rediscover' the inverse relationship. As an economic argument that had wide currency in the 1960s and early 1970s, it provided the intellectual support for a type of land reform that promoted smallholder access to land on the basis of productivity and efficiency. (p. 222-23).

exits as in the case of Africa, tenure insecurity follows, which only further discourages agricultural investment and enables elites to grab common lands (IIED 2005). Cotula departs from the generally "technical" framework implied in the land governance mainstream agenda by noting that the design and adoption of legal interventions "is a highly political issue, as it may affect the distribution of income, wealth and power within society," and he underlines how securing strong political will and access for the poor are key (cf Palmer 2007, 14). Deininger (2003, 51) in turn, also points to the need to recognize customary rights in pluralistic settings. Yet, the dominant thinking remains "firmly located within the issues of economically efficient (re)allocation of resources, administrative efficiency ('corruption-free'), and fiscal prudence ('cheap')" with good land governance implying 'one-stop-shop' types of land privatization, registration, and titling programmes (Borras and Franco 2010, 8). Even in the case where the World Bank's own reports (2003, 31-3; 2006, 165) indicate how, in some quarters, communal land rights can be economically efficient, mainstream neoliberal land policies continue to press for the formalisation of individual land rights with important implications for the rural poor in the Global South.

At a most fundamental level, neoliberal land policies continue to view land primarily in strict economic terms, and they fail to capture the multidimensional nature of land, the social relations embedded within it, and the complexity and purpose of customary tenure. In reference to rural Africa, Celestine Nyamu-Musembi (2007) offers a critique of de

Soto's (2000) position on the necessity of titling and the formalisation of rights which is based purely on Western culture and values. She argues that such an approach to land disregards how a "property system is a social system and [how] it takes shape according to the cultural context in which it is rooted," adding that "given the reality of legal pluralism, to argue that formalisation of title yields an efficiently functioning property system is to make a hollow claim" (2007, 1462). Musembi illustrates her point by providing an example of the *Akamba* customary land tenure in Kenya that defines six broad types of land use to illustrate the dynamic and adaptable nature of property relations that allow for various holding arrangements to coexist depending on the type of property and even the types of relationships between people using and managing the property (Ibid., 1463)[34]. The complex multi-tenure system of land use and land access under customary tenure cannot be represented in the formalisation of individual property rights that invariably will prevent access to and use of land by certain groups such as pastoralists, thus undermining their livelihoods and increasing rural poverty. Elizabeth Fortin (2005, 161) also highlights the complex social and economic role of land held under customary tenure in Sub-Saharan Africa (SSA) and notes that "unless the World Bank adopts a more textured analysis than its 'individualisation' thesis and its cost/benefit approach to the protection of rights…it is likely that the layers of rights will neither be recognized nor protected in policies adopted." There is ample evidence

[34] The six customary lands uses are: 1)*Weu* which refers to unsettled land that is used for common grazing and hunting; 2) *Kisesi* which is used for grazing and is associated with families and groups of families; 3) *Isesi* which is seasonal and temporary grazing land; 4) *Kitheka* which is uncultivated land; 5) *Muunda* which is cultivated land belonging to a distinct family or household; and 6) *Ng'undu* which is cultivated land that has been farmed by the same family for at least three or four generations.

showing how titling has actually been detrimental to particularly socially embedded rights which have not been recognized in the titling process (Toulmin and Quan 2000; Griffin *et al.* 2002). By failing to consider that 'rights' to land are derived from the 'interaction of social relations with land' (Mafeje 2003), the World Bank's land policies pose a threat to the livelihoods of the rural poor who depend on communal access to land. Neoliberal policies, in practice, are successful in establishing land tenure security that is conducive to attracting investment in the agricultural sector, but can the same be said of smallholders who are now the beneficiaries of individual titles?

The claim by advocates of pro-market land policies that individual, secure, and alienable property rights result in access to credit and enable smallholders to invest in land to increase productivity remains highly contested and is rejected outright by some on the basis of lack of empirical evidence. Robert Smith from the School of Oriental and African Studies in London states that there are only weak links between land rights and the use of formal credit in Africa, and that the credit demand effect should be viewed as null (Smith 2003, 212, 214). Musembi (2007, 1466) echoes this point and adds that title does little to change institutionalised practices and biases in that commercial banks tend to shun small-scale landholders on the basis of standard cost-benefit analyses. She also notes that smallholders generally rely on informal credit sources that are not secured on land which is more attractive in a context where people fear losing their family land (Ibid.). In the cases where individual title is actually used by a smallholder farmer to

secure formal credit, Manji (2003, 108) highlights that it is more likely to be used to buy food and to access healthcare rather than to invest in land. These authors also raise important concerns about neoliberal land policies that promote privatisation and individualisation of property as a way to use land more efficiently and to increase overall agricultural productivity. Smith (2003, 212) points out that there are no strong links between land rights and productivity, while Musembi (2007, 1467) notes that the links between formal ownership and productivity have been discredited by empirical data which reveals that holders of unregistered land have made equally productive investments. Given that claims of credit access and productivity by advocates of pro-market land policies are in conflict with a significant body of by empirical evidence, the possibility of such an approach to land reform being pro-poor and leading to poverty reduction becomes suspect. When considering how land is transacted in practice, Smith (2003, 213) argues that "titling increases tenure insecurity for the poor because it places a formidable weapon in the hands of the rich who have both better ability to pay for the price of registration and superior knowledge of government bureaucracy and procedures." On the issue of 'pro-poor' land policies Toulmin (2003) highlights that it is perhaps appropriate, when discussing policies related to pro-market land reform as a means of reducing poverty, that this 'red herring of an argument should be allowed to rest in peace.' As such, neoliberal land policies largely favour the rich over the poor, and nowhere has this been more evident than in the case of MLAR that is promoted as a means of achieving 'pro-poor' land redistribution through open markets.

Since the 1990s, MLAR has been promoted by the World Bank, supported by mainstream development institutions, and implemented by national governments countries as an approach to contemporary land and agrarian reforms through the private, individual ownership of land, though it largely failed to adequately redistribute land to the poor and to redress issues of land inequity in many parts of the developing world for a number of critical reasons. According to Fortin (2005, 147) a fundamental problem centered on land policies not addressing the structural reasons for the distortions of land holdings in rural settings, and the market-led model largely served to reaffirm and reproduce inequality. In the case of South Africa following the end of apartheid, MLAR's inability to render social justice and distribute land to the rural poor in a timely manner was all too evident. Between 1995 and 1999, of the 29 million ha of land that had been designated for redistribution to over 8 million poor households, MLAR had only succeeded in allotting 1.65 percent of the land to 2.5 percent of the intended beneficiary families (Borras 2008, 98). In this instance, the 'willing seller, willing buyer' model broke down entirely in part due to the absence of willing sellers, and as a result of land markets being biased against family farming, as noted by the World Bank in its own publication (World Bank 2006, 164). In a recent comparative study of MLAR initiatives undertaken in Brazil, Colombia, and Africa, Borras (2008, 101-107) has identified three core assumptions in mainstream thinking that has resulted in the overall failure of its pro-market land reform schemes. The first assumption is that peasants and landlords will

behave in a 'rational' way given the proper incentives which is not the case where issues related to class and political power characteristic of developing countries saw landlords overprice their land and engage land price 'fixing.' A second assumption was that peasants and landlords could negotiate freely and fairly which ignored the nature and dynamics of political power relations in most rural areas in the South. A final assumption was that decentralisation would lead to guarantees of transparency and efficiency which was not the case given the rural polity of most developing countries that is shaped by 'local authoritarian enclaves'(Ibid.). In the context of present-day land grabbing, the emerging mainstream development narrative focuses on a proposed 'Code of Conduct' (CoC) that will manage the risks associated with transnational land deals, offset the imbalances of power and capital characteristic of the MLAR model, and ultimately create "a win-win scenario for both local communities and foreign investors" (IFPRI 2009, 3). An international CoC thus constitutes and important pillar in the neoliberal model of contemporary rural development, though its ability to effectively protect the rights of the local people, while at the same time fostering an environment that is attractive for profit-seeking investors, has led to the emergence of divergent perspectives on the subject when framed within a pro-poor model of rural development.

A Code of Conduct and 'Win-win' scenarios

A number organisations and development agencies have made reference to the need for a 'code of conduct' that would serve as guiding principles for investors, national governments and foreign governments as a way to ensure fairness and transparency in large-scale land transactions. Joachim von Braun from IFPRI (2009, 3) recommends adopting a policy of 'free, prior, and informed consent' to control the potential threat of foreign investments and 'land-grabbing,' and that would lead to a 'win-win' situation where virtue is made a necessity. The IIED (2009, 96-7) presents a 'rule of law' approach as a recourse for individuals or communities that have been displaced or have lost access to land, though it acknowledges that the rural poor to sue the government presents serious obstacles, the first being lack of access to legal services. The ILC (2009, 17) makes reference to the World Bank's governance framework as way to achieve transparency in investment negotiations and to ensure that local rights and needs are respected. Klaus Deininger (2009), from the World Bank, frames the need for a code of conduct in the following manner: i) there are vast opportunities in the recent re-valuation of land; ii) although there are risks, they can be avoided; iii) establish secure property rights; iv) transactions via local government is preferable over the corrupt state; and v) in cases where national government cannot be by-passed, a 'code of conduct' agreed upon by investors and governments can be used. Borras and Franco (2009, 7) argue that a 'code of conduct' is likely to encourage more local land grabs, and that peasants and other rural poor are "likely to lose out to corporate and other elite political and economic

interests *through* a code of conduct because the processes are usually marked by imbalances in political power among competing actors." Despite the well-meaning intentions of establishing such a code of conduct, it is ultimately fraught with risks for smallholders who must engage in negotiating across a highly uneven terrain.

There are a number of important shortcomings inherent within the voluntary CoC that is intended to manage potential risks to the poor associated with large-scale investments in agricultural land. Advocates of a CoC frame the initiative within a two-prong approach that includes creating a favourable climate for investment and relying on an international CoC, both of which rest on the premise that the problem to rural poverty is not a land issue per se, but is rather one of investment (Borras and Franco 2010b, 511). Proponents of this model argue that increased investment in the agricultural sector will in turn create new farm and off-farm employment and it will also result in a number of multiplier effects beneficial to rural communities. A critical point of contention with this approach is that it first assumes that there are no fundamental problems with the existing agro-industrial food complex that it seeks to promote, and second that it is used in conjunction with the notion of developing 'reserve agricultural land' that most often already being cultivated by rural communities, meaning that displacement and dispossession are likely outcomes of this development initiative (Ibid, 516). When considering how the CoC is intended to be applied, it becomes apparent that assumptions made about 'marginal' or 'idle' land conveniently overlook the reality that much of this land is actively sustaining

the livelihoods of diverse rural communities that access and use the land through a variety of informal and communal systems. At a more fundamental level, the CoC proposed in mainstream development models is set within a depoliticised framework, and for that reason is likely to fail. In reference to the World Bank's latest report on land grabbing, Ian Scoones (2010) notes that the set of principles termed the CoC "are hailed as the administrative-managerial solution to the troublesome governance problems of large-scale land investment," yet there is no political analysis of how they might actually work in a given setting. The author adds that the report itself shows clearly "why such principles are doomed to failure" given the issues of weak governance, institutional capacity, and others cited in the report. Many of the shortfalls associated with a CoC can also be extended to the more recent rights-based approach to land reform that is set on 'fighting rural poverty.' The Legal Empowerment of the Poor (LEP) agenda is based on the recent work of the UN-sponsored Commission on Legal Empowerment of the Poor (CLEP), is broadly endorsed in mainstream development discourse, and is the subject of considerable debate which will be reviewed in the following section.

2.23 Commission on Legal Empowerment of the Poor: Pro-poor or Pro-poverty?

The CLEP 2008 report entitled 'Making the law work for everyone: report of the Commission on Legal Empowerment of the Poor' is inspired by the ideas of Hernando de Soto (2000) and brings together his notions of individual private property rights with a

rights-based approach to empowerment and poverty reduction.[35] Drawing on earlier proposals to empower the poor (Singh and Titi 1995; World Bank 2002), the Commission "argues that four billion people are robbed of a chance to better their lives and climb out of poverty because they are excluded from the rule of law" (CLEP 2008, 1). Naresh Singh, who acted as one of the commissioners, states that poverty is man-made either through action or inaction, as well as through the failure of public policies and of markets (Singh 2009, 878). He adds that people in rich countries enjoy access to justice as workers, businesspeople, and owners of property, and are able to create wealth as a result of various legal protections, norms, and institutional instruments (Ibid.). The solution to poverty in the developing world is thus to provide protection and opportunities for the poor. CLEP thus puts forward a four pillar model that is to guide national and international efforts in making systematic legal changes aimed at unlocking the civic and economic potential of the poor. The four pillars include i) access to justice and the rule of law, ii) property rights, iii) labour rights, and iv) business rights which are expected to reinforce each other in such a way that their convergence and synergy will lead to legal empowerment of the poor. The report offers encouragement to social reformers by stating that as the poor find protection and opportunity in the legal system, the informal economy will become more documented, the tax base will widen, and national revenues will increase allowing for the expansion of the rule of law (CLEP 2008, 4).

[35] CLEP was established by the UN in 2005 and concluded its work in 2008. The commission was co-chaired by Hernando de Soto and Madeleine Albright, involved several countries from North and South, and was hosted by the UNDP.

The CLEP agenda is widely endorsed within mainstream development circles, though it remains highly contested from a political economy perspective, not only in reference to Hernando de Soto's analysis of the role of property rights and economic development as noted earlier, but also in the overall premise of how poverty is defined and how it is to be resolved within a legal framework.[36] Ben Cousins (2009, 894) rejects CLEP's notion that poverty and inequality are a result of exclusion from the rule of law, but rather are the outcome of highly adverse terms within which people are included in dynamic market economies governed by the rule of law. Poverty, he argues, derives from situations where people are situated within unequal class structures which render poverty relational in character (Bernstein *et al.* 1992, 24-5), not residual as CLEP suggests. For Cousins (2009, 898) the report is an expression of neoliberal ideology that celebrates markets, entrepreneurs, and private property while assuming that tensions and conflicts in the sphere of the economy have been resolved into a 'win-win' situation. In the real world of capitalism, he points out, such 'win-'win' solutions are "elusive, if not entirely illusory" in that often "winners become so only because others are losers" (Ibid.). Banik (2009, 127-30) is equally critical of CLEP in that the report represents a top-down, state-centered and orthodox approach that promotes legal empowerment to reduce poverty, yet underestimates the capacity of those who wield power to bypass the rule of law or

[36] See Sjaastad and Cousins (2009) for a critique of de Soto's *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* (2000).

selectively implement judicial outcomes. In this regard, he contends that the report is anaemic in its analysis of power relations, and that it fails to establish appropriate linkages between complementary legal empowerment and existing approaches to development, poverty reduction, as well as democratisation and human rights (Ibid, 121). Ultimately, the root of the problem with CLEP, according to Cousins, is that capitalism is obscured: in the real world, 'elite capture' and 'exclusion' appear to be as common in the heartlands of advanced capitalism as anywhere in the developing world (Cousins 2009, 898), a point that is omitted in the report and reflects much of de Soto's own views on the merits of Western capitalism.

As one of the four pillars of the CLEP agenda, property rights are identified as being a critical component of the 'pro-poor' legal empowerment strategy, though their formalisation is defined within such a narrow construction of legality that it risks creating greater tenure insecurity for the poor, and in particular, can further erode women's rights to land. Meinzen-Dick and Mwangi (2009) note how de Soto's formalisation of property rights involves transforming them in the direction of Western, legal forms of private property in which land can easily be lost within market transactions. This point is also echoed by Musembi (2007, 1457) who is critical of de Soto for failing to acknowledge that formalisation can result in both security and insecurity depending on the context where title has been obtained. On this topic, Cousins (2009, 897) points to how in many societies property is not private in character, nor commodified, and that restrictions on

alienation of property are a defence against loss of rights. For this reason, formalisation schemes are often evaded or subverted by their beneficiaries who prefer flexible, negotiable, and socially embedded property rights (Berry 1993). CLEP's underlying neoliberal framework incorporated within a legal empowerment approach to poverty reduction becomes questionable as a 'pro-poor' model given that privatisation of land rarely leads to credit access, nor to productivity-enhancing investments for smallholder farmers who risk losing their land as a result of distress sales or outright dispossession. In the case of South Africa, for example, where many of the strategies recommended by CLEP have been implemented, the outcomes have been 'bitterly disappointing' in the way tenure security laws were ineffective in preventing up to one million evictions from commercial farms in the first decade of democracy (Cousins 2009, 901). Legal empowerment strategies failed almost completely to secure tenure rights, and in particular, the 2004 Communal Land Rights Act (CLRA) exemplified the limits of legal empowerment legislation in this context. In relation to women, specifically, Razavi (2007) and Walker (2005) criticized CLRA for having further entrenched the powers of undemocratic traditional authority and for failed to the secure tenure rights of women who were deprived of access to communal land and of a critical livelihood strategy. Given the importance of women in agricultural production in much of the developing world, the issue of women's right to land is gaining prominence and the experience of South African women is a testimony that there is a need for such recognition.

2.24 Gender Perspectives – Women's Rights to Land

Over the past few decades gender analysis has interrogated some of the dominant orthodoxies in agrarian studies and has made important contributions in furthering an understanding of domestic institutions and the critical role played by women in agricultural production in developing countries. It is widely recognized that rural women produce between 60 to 80 percent of food and are the main producers of the world's principal staple crops (rice, wheat, maize) which, in the case of South-East Asia's rice cultivation, up to 90 percent is undertaken by women (de Schutter 2009, 9). In addition, most women engaged in agriculture assume a dual production role in that, on the one hand, they work independently of other household members having separate access to land and other resources for economic activity, while on the other hand, they contribute to household production as unremunerated family labour (Whitehead 1990, 439). Despite women occupying such a central place in the reproduction of the household, Elson (1998, 198) notes how domestic structures have generally been taken for granted by much of the new political economy as they were by 19th century political economists, and that peasant studies tended to treat the household as a 'black box.' The concept of the unitary household has long since been challenged in feminist literature and attention has been drawn to the unequal distributions of power and resources along gender and generational lines (Razavi 2009, 200). As such, gender analyses generally view households as sites of

struggles and inequalities, though there is less consensus as to how these sites of tension interact within the dynamics of common interests and cooperative behaviour (Ibid, 208).

Bina Agarwal (2003b, 573) has done considerable work on intra-household bargaining which she conceptualises as both cooperation and conflict, and her 'bargaining model approach' has served as a framework for gender analysis in the context of land tenure institutions in South Asia. To date, Agarwal (1994; 2003a) has developed the most detailed theoretical account of the liberal argument for women's land rights, and she combines a rights-based approach to gender equity with the efficiency concerns of neoclassical economics when pleading her case that women need fields of their own on the basis of individual autonomy and freedom (O'Laughlin 2009, 197). Her work has since acquired much credibility with the World Bank Gender Unit that advocates the formalisation of women's land rights as an important means to poverty reduction. Although Agarwal's research focuses on South Asia, it can readily be extended to Africa where women do much of the farm work which serves to strengthen the ethical, economic, and political arguments that women's control over land is an essential right (Ibid.)

An important critique that emerges of an approach that merges gender justice and land rights is that it offers a powerful tool for advocates of neoliberal land policies that promote individual private property rights and land privatisation, despite the fact that that

many women in the Global South remain especially vulnerable under land titling schemes. Razavi (2007) points out how such neoliberal schemes and land rights implemented under a 'rule of law' model are unlikely to see low-income women emerge as winners in an MLAR model, nor in agricultural land transactions more broadly. In reference to SSA, Lastarria-Cornhiel (1997) notes that continent-wide evidence on the effects of land privatisation points to women as the largest group who have little to gain from the trend toward privatised land tenure systems, adding that community leaders and male household heads have been able to effectively strengthen their control over land to the detriment of women and minorities. This issue is particularly evident in the case of South Africa where recently enacted legislation has created significant obstacles for women to acquire land. Claassens (2005, 41) draws attention to two important pieces of legislation passed into law in February, 2004, the Communal Land Rights Act (CLRA) and the Traditional Leadership and Governance Framework Act (TLGFA), which he describes as a lasting legacy that will bolster the power of traditional leaders relative to that of the holders and users of family and individual rights. He adds that these acts have ultimately hardened the terrain within which rural people, and especially women, struggle for change, and he makes reference to how many women recounted their difficulty in trying to secure land from 'traditional' leaders, especially if they were a widow or a single mother (Ibid, 18-21). As Cousins (2009, 906) noted earlier, the "conception of legal empowerment as a solution to poverty rests on both a misdiagnosis of the causes of poverty and on a one-sided and flawed model of society." By relying on legal

instruments without considering the dynamics of social class issues that shape the context of where 'the rule of law' is inserted can serve to deepen inequality and poverty, and further undermine women's access and use of land. O'Laughlin (2009, 202-03) supports this claim and adds that formal titling will simply not resolve the problem of rural poverty in Southern Africa given that it stems from structural problems of accumulation, class relations, and the politics that cross the rural/urban divide.

Given such adverse effects on poor women, how to account, then, for the continued emphasis on pro-market neoliberal land policies in the context of gender justice and land, and the larger issue of rural livelihoods related to agricultural production? McAuslan (1998, 2003) notes how since the 1990s, there has been substantial pressure from bilateral donors, the IMF, and the World Bank to draft land laws that would give investors greater security of tenure and codify liberal notions of governance and the rule of law. Land, being viewed as a scarce commodity and considered to under-utilised in terms of its productive potential, needs to be secured under statutory law in order to attract investment and allow for greater agrarian accumulation by local and foreign investors. From an exclusively economic perspective, the World Bank reiterates that "governing property rights emerge to capture or internalize the full income streams from scarce resources" (World Bank 2006, 8). In areas not covered by freehold tenure, as in the case with customary and public land, land tenure reform has been promoted along the lines of de Soto's argument that the state ownership of land and customary regimes hinder the

free flow of labour and the allocation of land to more productive forms of production. According to Bridget O'Laughlin (2009, 191, 203) "the issue of women's land rights has been deployed in the policy discourse on agrarian change in Southern Africa to reinforce the moral claims of a liberal project," and the narrow emphasis on legalizing women's rights is embedded in the centrality of privatization and the commodification of land in a framework of human rights language." She adds that for those women who are landless, titling is meaningless outside of some sort of redistributive land reform, and that the current neoliberal proposition leads away from the fundamental question of restructuring a migrant labour systems and redistributing wealth and power in post-colonial states (Ibid, 203). Fortin (2005, 147, 153) supports this view and states that World Bank agricultural and land reform policies continue to reproduce and reaffirm the distortions of landholdings, and instead of overcoming the dual economies of colonial times, have only succeeded in deepening poverty and inequality. Women in Indonesia who are involved in the oil palm industry face similar issues with respect to the negative impacts the privatization of land rights is having on rural women.

The agrarian transformation that is currently unfolding in settings across the Global South under the dictates of transnational agribusiness is doing so within increasingly contested landscapes as peasants and their allies resist in varying degrees and modalities such forces of change in an effort to secure sustainable livelihoods in rapidly altering rural settings.

2.3 Rural Resistance and Transnational Agrarian Movements (TAMs)

2.31 The Neoliberal Regime: A Catalyst for Resistance and the Rise of TAMs

Neoliberalism has significantly altered the nature of agrarian production and exchange relations North and South, and as a result of the simultaneous processes of globalization 'from above', decentralization 'from below', and privatization 'from the side', rural societies have been shaken at the core (Borras, Edelman, and Kay 2008, 1)[37]. Though neoliberalism is suffering from an ideological defeat in light of the current global crisis, as an economic model it persists in full force and perseveres today largely by default (Moyo and Yeros 2005, 3). The impact of neoliberal 'free-market' policies as promoted through mainstream development agencies like the World Bank, the IMF, and allied financial institutions and agencies has been unprecedented with respect to the global peasantry. As noted by Akram-Lodhi and Kay (2009, 4) the "states and economies within which peasants are subordinated have become increasingly integrated into global circuits of production, trade, and finance, a phenomenon universally known as 'globalization'.[38] Under the forces of globalization, inequality has risen dramatically (Edelman and Haugerud 2005), and rural households have had to increasingly diversify their ways of earning a living (Scoones 2009). Capitalist globalization has thus witnessed the emergence of a 'neoliberal agrarian restructuring' that is characterised by realignment and deepening of a 'bifurcated' agrarian structure in which an export-oriented agrarian

[37] See also Edelman (1999), Gwynne and Kay (2004).
[38] For critical reviews of globalization, see Hirst and Thompson (1996), Weis (1997), and Chernomas and Sepheri (2005).

subsector sits beside a peasant producer subsector, which may itself be subject to processes of differentiation (Akram-Lodhi, Kay, and Borras 2009, 215). Transnational corporations and local rural capitalists working with development agencies have thus restructured global agricultural production along export-driven imperatives that has increasingly transformed petty commodity producers into wage labour and a semi-proletarianized rural class that must rely on market mechanisms to construct a livelihood. As noted by Henry Bernstein (1996), the broadening and deepening of capitalist social property relations requires, as a necessary condition, diminishing the relative power of peasants and workers in favour of local and/or global dominant classes which can be achieved by market-based processes that are supplemented by direct action of the state. These changes in social property relations are thus leading to a widespread diversification of livelihoods (rural and rural-urban; on-farm, off-farm, or non-farm), either forced or voluntary, as access to and control over land resources are being redefined and landed property rights restructured to favour private capital (Borras *et al.* 2008b, 170). It is against this backdrop of the increasing penetration of capital in the countryside, and the growing competition for productive resources such as land, that a resurgence of rural movements has emerged in protest against neoliberal globalisation.

Neoliberalism has had varying impacts on different social classes, regions, sectors, and in the case of the rural poor who have oftentimes suffered adverse effects, some have formed organisations, others have joined social movements, and most have remain

localized (Borras, Edelman, and Kay 2008, 13). It is widely recognized that the rural poor are a highly heterogeneous group made up of the peasantry (stratified), landless rural labourers, migrant workers, forest dwellers, subsistence fishers, indigenous people, and pastoralists. This high degree of diversity necessarily influences the character of these movements and associations which affects decision-making processes that include agenda-setting and courses of action to protest or bring about change. Moyo and Yeros (2005, 9) argue that contemporary rural movements generally share the same social basis, are militant on land and agrarian reform, often employ land occupation as a tactic, and they represent a leading force of opposition to neoliberalism and to the neocolonial state. They also underline the significance of how twentieth century capitalism has led to the rapid expansion of the world's labour force that has become a reserve army of labour located on the periphery of the system outside the circuit of capital, and as such, is a nexus of struggle and discontent that lies at the core of rural social movements (Ibid., 8). In reference to the peasants who increasingly must confront poverty and diminishing livelihood prospects, Raikes (2000, 68) points out that there has been an intensified struggle to access land illegally or to squat in both rural or urban areas as an enforced extension of peasant survival strategies under pressure of impoverishment. Mattei (2005) describes the process of how the Landless Workers Movement, or MST, in Brazil initially resorted to land occupations that eventually gave way to land reform programmes that have in all resettled over two hundred and seventy thousand families onto land as part of a re-peasantisation initiative. Moyo and Yeros (2005, 30-31) highlight that it is the

'disarticulated accumulation' characteristic of the transition to capitalism in the periphery under a neoliberal regime that is presently driving extensive social differentiation in rural areas and is fuelling a rise in social movements and acts of protest at the local, national, and transnational levels.

In recent years, Transnational Agrarian Movements (TAMs)[39] have come to gain considerable power and political influence in global arenas, and as a 'solidarity network' of the 'rural poor', a number of them have become important forces of opposition to neoliberalism and a means of organising and mobilising collective action. La Vía Campesina (The Way of the Peasant), considered to be one of the most well-known movements (Borras 2004) and is perhaps the most politically coherent of all contemporary TAMS (Borras *et al.* 2008b, 172), engages in left-wing politics as an 'alternative voice from below'. The peasant movement is comprised of poor peasants and small farmers in the developing and industrialised worlds, and since 1999, has launched an aggressive campaign (Global Campaign for Agrarian Reform – GCAR) against the neoliberal MLAR model which gained significant ground transnationally in terms of putting the issue of land reform onto official agendas and helped reshape the terms of current policy and political debates (Borras 2008b, 114). As with other TAMs, such as the largest agrarian network today, the International Planning Committee (IPC)

[39] TAMs is loosely defined to mean 'movements', 'organisations', 'coalitions', 'networks', and 'solidarity linkages' of the 'rural poor' linked to transnational movements that have gained considerable power and political influence (Borras *et al.* 2008b, 170-71). Marc Edelman (2003) notes that TAMs are not new, however, and that IFAP, founded in 1946, is one of the oldest groups on the global goverance scene.

for Food Sovereignty, the issue of claims to representation is often remains a point of contestation and debate (Borras, Edelman, and Kay 2008, 3-17). The question of representation is a critical one in that it not only determines how issues and decision-making are framed, but also the importance, urgency, necessity, and justness that are based on the claims to representation. Borras *et al.* (2008a) state that in principle TAMs can only claim 'partial representation' given that most do not include important segment of the global population, such as China, Russia, and Central Asia, to name a few, adding that at the national level, no single organisation can fully represent the vast diversity of groups therein. In a similar vein, as Moro and Yeros point out (2005, 41) that a plethora of organisations may seek to 'speak' for the rural poor, enlist them in their ranks, or otherwise secure their support, be it from NGOs, church organisations, political parties, trade unions, farmers' unions, and landless people's movements, yet no single entity can rightfully claim full representation. As such, the issue of representation remains complicated and is often contentious (Borras *et al.* 2008b, 186). Moreover, though TAMs may share an underlying common interest in achieving social justice in its multiplicity of forms, the means by which this objective is pursued varies greatly and is a reflection of the distinct makeup of each movement.

In this regard, though TAMs will rally around a common theme of agrarian reform, they could employ political strategies and engage in forms of action characteristic of their movement that may, or may not, share similarities with other movements that have

mobilised for the same cause. The main differences among TAMs notably centre on issues of social class origin and base, ideology and politics, and its organisational/institutional makeup, in addition to other critical social relations such as gender, caste, and ethnicity (Borras 2010, 773). The complex interplay of these elements largely shape the alliances that are forged among various NGOs, peasant movements, agrarian reform movements, and civil society groups, which in turn determine strategies and actions adopted by a particular TAM. For example, Vía Campesina, as a transnational movement that represents mainly poor and small farmers, resorts to a combination of confrontation and critical collaboration that may include forms of direct action, while IFAP, representing small, medium and rich commercially-oriented farmers, prefer to engage in uncritical collaboration and establish formal alliances with mainstream organisations such as the FAO and IFAD (Borras *et al.* 2008b, 187). The difference in social classes is a key defining feature that sets both TAMs apart and places them in opposite camps of agricultural development discourse. Another example is the International Land Coalition (ILC) which is led by middle-class professionals and is part of a global alliance that includes IFIs such as the World Bank and IFAD, intergovernmental institutions like the EU and the FAO, and a number of NGOs. The ILC represents and promotes mainstream, neoliberal development policies in contrast to those advocated by IPC and its allies that place smallholder sovereignty over land and over food production for local and domestic markets ahead of large-scale agricultural production for international export (Ibid, 788-90). As a result of class, ideological, and

organisational differences, TAMs can therefore resort to oftentimes competing and conflicting political strategies and forms of action, which may also occur within larger movements themselves articulating a diversity of agendas across a multitude of international settings. An important issue to consider, ultimately, is how TAMs impact national and local rural social movements, in addition to understanding what forms resistance may take in the struggle for control over natural resources and claims to sustainable rural livelihoods.

2.32 Rural Social Movements: The Politics and Dynamics of Resistance

Neoliberal policies that have been driving mainstream development initiatives in agriculture for decades have given rise to more horizontal "'polycentric' rural social movements," as national movements further localise in response to state decentralisation, while at the same time internationalising their movements, advocacy work, and actions in response to globalisation (Borras 2010, 772). As a result, rural social movements find themselves simultaneously engaged in a struggle to construct coordinative structures for 'vertical' integration (Fox 2001) through new 'partnerships' that include TAMs, all of which are operating in differentiated rural settings that encompass the 'rural poor'.[40] The latter group is comprised of various 'classes of labour' (Bernstein 2010) such as landless labourers and small-scale farmers, yet also includes landlords, medium-scale farmers, and moneylenders, which, as individual groups, experience neoliberal globalisation in a

[40] The term 'rural poor' is used in a broad sense to mean the socially, economically, and politically marginalised segments of the rural population (Borras 2010).

distinct manner, and as a result engage in politics and forms of resistance differently (Borras 2010, 775-6). Though each group is part of a local community and shares a common link to land in terms of its relation to the means of production, they remain highly differentiated along class lines, and thus represent competing class interests regarding agrarian reform initiatives and agricultural development policies. In such rural settings, elite social groups made up of rich farmers, traditional chiefs, and corrupt petty state bureaucrats and officials, for example, may support foreign investment in large-scale agricultural projects on the one hand, while at the same blocking redistributive land reforms, both of which work against the interests of the class of landless labourers and poor smallholder farmers (Ibid., 776-7). Oftentimes, development discourse will fail to make a distinction between competing classes within a local community, which in turn leads to failed initiatives that only further entrench rural poverty instead of improving the lives of the most marginalised and impoverished segments of rural society. In addition, as a result of competing interests and class struggles, conflict and resistance follows along a multitude of trajectories that can either take more 'invisible' forms that are unstructured, unorganised, or covert, or can culminate in more 'visible' direct confrontations that can lead to violence.

In *Weapons of the Weak*, James C. Scott (1985) first drew attention to 'everyday forms of resistance' that often went unrecognized and unacknowledged in analyses on rural resistance, and similarly, Benedict Kerkvliet (2005, 2009) highlighted the importance of

reaching beyond conventional political studies to better understand resistance and protest within peasant societies. Scott noted that though resistance can, on some occasions, become active and even violent, more often "it takes the form of passive non-compliance, subtle sabotage, evasion, and deception," with peasant claims ordinarily having to do with 'the material nexus' of class struggle, namely the appropriation of land, labour, rent, and taxes (1985, 31-33). He qualified, however, that class did not exhaust the total explanatory of social actions in a peasant village where kinship, neighbourhood, factions, and ritual links may compete with class, and that beyond the village level, ethnicity, language group, and religion may act as a focus of loyalty (Ibid, 43). In developing his theory of 'everyday politics' in peasant society, Kerkvliet argued that by associating politics primarily with what governments, politicians, lobbyists do, the conventional view of politics ultimately missed a great deal of what is politically significant, and for this reason a broader perspective of politics was essential (2009, 228-29). According to the author, of the three types of politics, namely official, advocacy, and everyday, the latter oftentimes remained overlooked as a legitimate form of politics. Kerkvliet described everyday politics as "embracing, adjusting to, and contesting norms and rules regarding authority over issues of production or resource allocation" that could include quiet, mundane, and subtle expressions and acts that indirectly, and for the most part, privately, endorse, modify, or resist prevailing procedures, rules or orders (2005, 22). Everyday politics could be outright public criticism, taking grain from the cooperative, slowing down work and reducing productivity, and even earning a living outside of the

cooperative, which in his field of research, was forbidden by the communist Vietnamese government (Ibid., 161-63). These actions became 'the weapons' of a politically 'weak' segment of rural society that eventually feed into official politics in important ways, with the most critical being that, for the Vietnamese peasants, power ultimately was derived from their ability to affect outcomes that were important to authorities (Ibid., 235).[41] The manner in which all three forms of everyday politics and rural resistance occur in the context of Indonesia's oil palm industry will be developed in the following sections, in addition to the role played by local, national, and transnational movements.

[41] Everyday resistance of this kind led to a radical decline in food and rice production from 1976 to 1980, after which the Vietnamese government opted to convert all collective state farms into family farms (Kerkvliet 2005, 174 & 190).

Chapter 3 – Biofuels in a Global Context and the Indonesian Oil Palm Industry

3.1 Biofuels, Agribusiness, and Land Grabbing: A Global Context

Biofuels[42], such as bioethanol and biodiesel, are primarily derived from a variety of agricultural crops plant and are categorised according to the 'feedstocks' from which they are produced (Dauvergne and Neville 2010, 635). 'First-generation' fuels are produced largely from sugar, starchy, or oil crops that also serve as food staples, with the exception of *Jatropha curcas* that produces an inedible oil used to make biodiesel.[43] 'Second-generation' biofuels, on the other hand, are made from non-food crop cellulosic materials such as switch grass, willow, and a variety of agricultural waste products including straw and stock (see Figure 4). In addition, a more recent 'third-generation' of biofuels that is algae-based (EIC 2008) or produced from bacteria such as *e-coli* (Biello 2010) is also in the early stages of development. Currently, however, only 'first-generation' bioethanol and biodiesel are being produced for large-scale domestic and export markets, while subsequent generations of biofuels fuels still face significant technological challenges before becoming commercially competitive (FAO 2008a, 19). Despite cellulosic biomass being the most abundant biological material on earth (Ibid.), the technology-intensive requirements of converting it into 'second-generation' biofuels (Clancy 2008), make it

[42] A number of critics reject the use of 'bio' as a prefix because it masks harmful social and environmental effects, and prefer instead the term 'agrofuel' to emphasize the threat posed by industrial farming of monocrops for the production of fuel for the transport sector. (Franco *et al.* 2010, 665).
[43] Ethanol is made primarily from such sugar crops as sugar cane and sugar beets, as well as from starchy crops such as maize, cassava, and potatoes. Biodiesel, in contrast, is produced primarily from food oil crops such as rapeseed, oil palm, soybean, and sunflower, in addition to a non-food oil extracted from *Jatropha curcas*. (FAO 2008, 14).

such that developed economies, especially the European Union and the USA, may likely continue to dominate their production for years to come before the technology is eventually transferred to the South (White *et al.* 2009, 19).[44] A study by the European Commission Joint Research Centre considers it unlikely that 2nd generation biofuels will be competitive with 1st generation fuels by 2020 (Eide 2009, 9). Countries located in tropical regions, however, do retain a comparative advantage in terms of yield per hectare, where sugarcane in Brazil and India, as well as oil palm in Malaysia and Indonesia, offer the highest yield of litres per hectare of bioethanol and biodiesel respectively (see Table 2). When coupled with relatively low labour costs in the South associated with the production of agricultural feedstocks like sugarcane and palm oil, it is expected that investment in 'first-generation' biofuels will continue to dominate the expansion of this industry in the Global South for the foreseeable future.

The use of liquid biofuels as an alternative energy source can be traced back to the Second World War, though it was not until decades later that large-scale production and use would emerge and eventually leading to the prominence of biofuels in contemporary agricultural development initiatives. In the 1940s, the US responded to the global fuel shortage by implementing a short-term bioethanol program based on maize which

[44] In reference to the oil palm sector, Almuth Ernsting estimated that the development of more efficient second-generation fuels would take at least 15 years or more (2007, 30).

Sugar Crops	Sugar cane Sugar beet Sweet Sorghum	*Fermentation and distillation*	→	**Ethanol**
Starchy Crops	Maize Wheat Barley Rye Potatoes Cassava	*Saccarification, fermentation and distillation*	→	**Ethanol**
Cellulosic Materials	Switchgrass Miscanthus Willow Poplar Crop stover Agricultural waste products (straw, stock)	*Saccarification, fermentation and distillation*	→	**Ethanol**
Oil Crops	Rapeseed Oil Palm Soybean Sunflower Peanut Jatropha	*Extraction and esterification*	→	**Biodiesel**

Figure 4: Conversion of Agricultural Feedstocks into Liquid Biofuels. Adapted from *The State of Food and Agriculture – Biofuels: Prospects, Risks, Opportunities,* by FAO, Rome: FAO, 2008, p. 14.

resulted in the construction of more than 100 distilleries across the country (IEC 2008, 43). This program was phased out over time as post-war fuel prices dropped and the production of maize ethanol was not economically sustainable. However, it was not until the 1970s energy crisis that Brazil would emerge as a leading producer of ethanol as a result of its Pro-Alcool initiative that led to the quadrupling of national sugar production from 1975 to 1986[45] (Moreira *et al* 2005, 28-30). The US has since developed its maize-based ethanol program from the 1990s onward to a point where today, the US and Brazil account for more than three quarters of the world's ethanol production (OECD 2008, 15) (see Table 3). Dauvergne and Neville point out how Brazil's discourse with respect to the US has shifted away from earlier claims of producing a more economically and ecologically superior biofuel, to one that now highlights a US-Brazil biofuel collaboration that is characteristic of emerging North-South linkages associated with the current biofuel boom (2010, 638).

The EU has also forged important economic alliances with countries in Asia and Africa that provide agricultural oils (mostly palm oil) used as feedstock for its biodiesel industry which currently produces more than 60 percent of the global output of biodiesel (Ibid., 16) and accounts for 81 percent of the EU's biofuel market (EIC 2008, 58). In order to spur on the current biofuel boom and to secure significant global market shares, however,

[45] In the 1970s, fuel costs accounted for 40 percent of Brazil's import bill (EIC 2008, 43). Also, despite a subsequent slowdown in the biofuel sector due to low oil prices (1980s and early 1990s) and the removal of government subsidies, Brazil was well positioned to capitalise on the biofuel boom that emerged later. (Dauvergne and Neville 2010, 636).

Table 2: 2007 Biofuel Yields and Conversion Efficiency for Various Feedstocks

Crop	Global and National Estimates	Biofuel	Crop Yield (tonnes/ha)	Conversion Efficiency (litres/tonne)	Biofuel Yield (litres/ha)
Sugar cane	Brazil	Ethanol	73.5	74.5	5 476
Sugar cane	India	Ethanol	60.7	74.5	4 522
Oil palm	Malaysia	Biodiesel	20.6	230	4 736
Oil palm	Indonesia	Biodiesel	17.8	230	4 092
Maize	United States	Ethanol	9.4	399	1 995
Maize	China	Ethanol	5.0	399	1 863
Cassava	Brazil	Ethanol	13.6	137	1 863
Cassava	Nigeria	Ethanol	10.8	137	1 480
Soybean	United States	Biodiesel	2.7	205	552
Soybean	Brazil	Biodiesel	2.4	205	491

Note. Adapted from *The State of Food and Agriculture – Biofuels: Prospects, Risks, Opportunities,* by FAO, Rome: FAO, 2008, p. 16.

both the US and the EU have had to rely on aggressive support policies in order to offset the per unit costs of biofuels, that in most cases far exceed the production costs for fossil fuels they are aiming to replace (OECD 2008, 10). Without the use of extensive publicly-funded support mechanisms, the biofuel industry would not be able to expand at such an unprecedented pace and across such large expanses of agricultural land in both developed and developing countries.

In the first decade of the 21st century and in the context of a confluence of crises, namely environmental, 'energy,' food, and financial, the US and the EU have implemented comprehensive support policies that include high blending mandates, direct and indirect subsidies, and protectionist import tariffs. The US Energy Independence and Security

Act of 2007 established a 136 billion litres Renewable Fuel Standard (RFS) target for 2022 with mandatory blending mandates for ethanol and biodiesel set at 10 percent and 5 percent respectively (OECD 2008, 31 & 17-18).

Table 3: Biofuel Production by Country (2007)

Country / Country groups	Ethanol (million litres)	Biodiesel (million litres)	Total Biofuel (million litres)
Brazil	19,000	227	19,227
Canada	1,000	97	1,097
China	1,840	114	1,954
India	400	45	445
Indonesia	0	409	409
Malaysia	0	330	330
United States	26,500	1,688	28,188
European Union	2,253	6,109	8,361
Others	1,017	1,186	2,203
World	**52,009**	**10,204**	**62,213**

Note. Adapted from *The State of Food and Agriculture – Biofuels: Prospects, Risks, Opportunities,* by FAO, Rome: FAO, 2008, p. 15.

Similarly, in January 2007, the European Commission unveiled its EU Strategic Energy Review that set forth a number of support measures for biofuel production and use and recommended that member states set mandatory blending targets of 10 per cent for transport fuels to be fully implemented by the end of 2020 (Reyes 2007, 7). The US and the EU have also set an ambitious combined biofuel goal of 25-30 percent of the transportation fuel market by 2030 which would require a rapid expansion of production when considering that at present, biofuel consumption amounts to less than 1 percent of the fuel used in the transport sector (OECD 2008: 33). Direct and indirect biofuel

subsidies are also providing critical incentives to drive the industry's expansion. As reported by the FAO (2008a, 88-89), public subsidies for biofuels in OECD countries amounted to US$ 11-12 billion in 2006, while the OECD (2008, 9) noted that the combined annual biofuel subsidy for the US, Canada, and the EU is projected to increase to US$ 25 billion per year by 2013. If the estimated annual agro-subsidies for OECD countries of US$ 365 billion (Weiss 2007, 141) are also factored in, it is clear that subsidies available to OECD-affiliated agribusiness transnational corporations (TNCs) are being provided tremendous non-competitive market power in the booming biofuel industry. Tony Weiss adds that for OECD countries, roughly 80 percent of total farm subsidised are paid to the top 20 percent of farmers, with the largest subsidy recipients being the biggest landholders made up of wealthy individuals or corporate-owned farms (Ibid., 68). When OECD trade restrictions (such as import tariffs to protect the domestic biofuel sector) are also factored into incentive policies (OECD 2008, 9), it is possible to see how such biofuel drivers are facilitating the accumulation of capital by wealthier segments of the population, and are helping further advance the consolidation of corporate power in the energy and agribusiness sectors linked to the emerging 'biofuel complex.'

The initial hubris surrounding energy security and net environmental gains claimed by promoters of biofuels has dampened somewhat in recent years, as critics continue to raise important questions regarding assumptions being made about biofuels. In reference to

the potential energy security offered by the latter, the FAO points to the growing number of studies that indicate how the land requirements are simply "too large to allow liquid biofuels to displace fossil fuels on a large scale" (FAO 2008a, 89).[46] The World Bank's own commissioned report on biofuel development in Mozambique made a similar observation by noting that, in the case of Europe and Brazil which have over 30 years of experience in biofuels, there is a "clear perception that renewable fuels are not substitutes for fossil fuels" (EIC 2008, 44). Oxfam International offered its own assessment in highlighting that the entire yearly harvest of US maize would provide one sixth of the country's present fossil fuel consumption, while the entire global oilseed production would meet less than 10 percent of the diesel fuel currently used in the transport sector; it went on to add that biofuels essentially allow "rich-country governments to avoid difficult but urgent decisions about how to reduce oil consumption of oil" (Oxfam 2008, 2-3). Franco *et al.* (2010, 672) qualify that though the blending of biofuels with regular fossil fuels does diversify energy supplies and may address sustainability in terms of energy security, this is not necessarily the case in terms of reducing greenhouse gas (GHG) emissions which depends on a variety of factors including crop, location, land type, as well as production, processing, and distribution methods.[47] The ability of biofuels to mitigate global warming thus remains highly case specific, and the many assumptions underlying their promotion are presently being challenged on a number of

[46] The UK's Gallagher Report (2008) noted that in order to the meet biofuel targets currently set for the year 2020, an additional 500 million ha of new land would need to be brought under cultivation, which is more than one third of the agricultural land in presently in active production worldwide.
[47] Dauvergne and Neville note how biofuels differ in input needs, and as a result, their total net energy and carbon balances vary accordingly (2010, 635). See also John McCarthy (2010).

fronts, not the least of which is how they are pushing the expansion of farming into critical carbon sinks like forests, wetlands, and grasslands (see Searchinger *et al.* 2008; Scharlemann and Laurance 2008). Yet despite important shortcomings related to energy security and GHG emissions, government subsidies and support policies remain a driving force behind the expansion of the sector and biofuels continue to be conveniently packaged under the green "sunny glow of alternative fuels" (Shattuck 2009, 89). As these policies and incentives enable agribusiness TNCs to extend their control of global commodity chains and foster new 'South-South-North' alliances and partnerships with capital in the 'North' (Dauvergne and Neville, 2010), it is important to consider the some of the forms agricultural production can take in the context of biofuel development and the role allocated to smallholders and rural workers in these various models.

The production of agricultural feedstocks for biofuels for either local consumption or export markets can take a number of forms, though the model that predominates is corporate-driven involving large-scale plantations and industrial farming of monoculture crops. In some cases, however, such as in the making of biodiesel from jatropha, castor or coconut oil, production can be community-based and small-scale (see Puente-Rodriguez 2008), and may even offer opportunities for 'energy sovereignty' as described in the Landless Workers Movement (MST) of Brazil's fundamental principles put

forward in late 2007.[48] In places like Brazil, Honduras, the Philippines and India, for example, local governments, community organisation, and NGOs are exploring and developing small-scale biofuel production for household electrification and fuel for local transport through primarily intercropped farming practices (Borras and Franco 2009a, 11). In contrast, large-scale monocrops of maize and sugarcane for ethanol production, or oil palm and soya for biodiesel production, are the preferred model for corporate-led models where economies of scale allow for greater efficiency, financial viability, and higher profitability. Smallholder peasants and rural workers are inserted into typical agrarian structures and labour regimes characteristic of plantation economies (see Beckford 1972) or as contract farmers and labourers linked to agro-export commodity chains (see Watts and Little 1994; Bernstein and Campling 2006a, 2006b) which oftentimes involves socio-political processes that include promises of a better livelihood, deceit, coercion, and even violence (Borras and Franco 2009a, 12). In reference to how smallholders fit into economy of scale that is a key to profitable biofuel production, Eide (2009, 17) notes that "[s]mallholders are likely to have a minor space in this production, which requires an integrated industrial/agricultural organisation of production, factory processing, transport, and distribution." Therefore, while the World Bank's 2008 World Development Report advocates that "a strong link between agribusiness and smallholders can reduce rural poverty," (World Bank 2007, 135-7), others point to how an 'agriculture

[48] João Pedro Stedile from MST outlined that the production of agrofuels by small farmers and peasants should be discusssed in the political orientation of production based on the principles of food sovereignty and energy sovereignty (Stedile 2007).

for development' model dominated by agribusiness TNCs will only reinforce "the path dependence of an exclusionary corporate agriculture" (McMichael 2009c, 243). It is against the backdrop of an emerging biofuel regime that new corporate alliances North and South are on the leading edge of a pursuit for profit through increased investment in land and agriculture with important consequences for rural livelihoods across the globe.

Since the 1970s, agro-TNCs have been a dominant force in transforming the nature of agriculture, and in the context of the rise in demand for biofuels, new interactions between state actors, private companies, and finance are deepening corporate-led agricultural development. Tony Weiss notes how the current support regime is leading to ever-greater agglomerations of capital and uneven market integration by directing nearly 80 percent of total farm subsidies to the top 20 percent of farmers made up of the wealthiest landholders, corporate-owned farms, and agribusiness TNCs (2007, 68 and 161-2). Corporations like Archer Daniels Midland (the largest US and multinational grain processor) and US-based Cargill presently control 75 percent of the global grain trade (Holt-Giménez and Shattuck 2009) benefitting directly and indirectly from OECD supports. Both are well positioned to dominate growing segments of agricultural feedstocks linked to biofuel production, as are other agribusiness corporate leaders. Combined incentives and subsidies that are driving a rise in demand for biofuels have resulted in an 800 percent increase in venture capital in the biofuel sector from 2004 to 2007 and have led to an extreme concentration and capitalization of power in the industry

(Holt-Giménez 2007). In the case of Africa, for example, over US$1 billion in foreign direct investment (FDI) was channelled into sugar ethanol production between 2007 and 2009 (Richardson 2010). Dauvergne and Neville (2009) note that new South-South and North-South-South biofuel alliances reveal that leaders in the South have not supplanted developed country investors, but rather have partnered with them thereby "reinforcing process and structures that further wrest control of resources from subsistence farmers, indigenous peoples and people with insecure land rights" (631, 637). Under the current conditions of rapid and large-scale expansion of the biofuel sector, the historical legacies of land tenure and control over productive resources like land are unfolding along familiar patterns of development where the greatest benefits accrue to more privileged social groups, the vulnerability of the poor is further entrenched, and "agribusiness TNCs progressively squeeze out smallholder production" (Fortin 2005, 153-6). The complex relationships that make up the emerging biofuel regime sees state actors facilitating land acquisitions, private companies investing in new agribusiness operations, and the finance industry providing capital for sovereign funds and speculative investors (Li 2010a). Under the pressures of global capital, the biofuel boom is prompting unprecedented land use changes and land grabbing that is radically altering social relations to land and rural livelihoods in the global South.

In order to meet the global demand for biofuels, food-producing land is being redirected to biofuel production, new non-food-producing land is being brought into production for

biofuels, and land grabbing is occurring across a broad spectrum of existing agricultural land and so-called 'idle' or 'marginal' lands. Currently, an estimated 14 million ha (one to two percent of the world's arable land) is dedicated to the production of biofuels, and one projection by Liversage (2010) forecasts a two- to fourfold increase by 2030 (White and Dasgupta 2010, 594). In 2007, the US allocated 23 percent of its coarse grain (mostly maize) to ethanol production, and in the same year, the EU used 47 percent of its vegetable oil production for the manufacturing of biodiesel (Eide 2009, 10). As the world's second largest producer of ethanol, Brazil also dedicates a considerable percentage of its 5.8 million hectares of sugarcane harvest to biofuel production (Fernandes *et al.* 2010). Presently, Brazil's soya production is also in a state of rapid expansion in response to the demand for biodiesel and to related market shortages due linked to the US displacement of soya crops in favour of higher priced maize used for food and ethanol production, all of which result in more of Brazil's savannah and forest area dedicated to large-scale agricultural production (Biofuelwatch *et al.* 2007, 17). As the demand for biofuels rises, it is expected that countries will continue to increase their allocation of agricultural food production to biofuels inciting greater opposition and protest in the 'fuel versus food'[49] debate being led by activists, civil society groups, social movements, and their supporters worldwide. In addition, as biofuel production continues to expand onto land formerly used for food crops and progressively comes to incorporate

[49] In an OECD paper, Doornbusch and Steenblik (2007, 4) argued that current government policies could draw the world into a 'food-versus-fuel' battle and noted that the 200 kilogrammes of maize required to produce 50 litres of ethanol could in fact feed one person for an entire year.

'idle' or 'marginal' lands into active production, the competition for land intensifies greatly leading to widespread land grabbing in 'land rich' countries in the South. In the global arena, satellite imagery and cadastral data is being used to identify areas for potential land investment with particular emphasis on 'non-private' lands which remain largely under the control of the state or are held under customary law that is vulnerable to exploitation and expropriation either by the state, investors, or by local elites. According to von Braun and Meinzen-Dick (2009) from the International Food Policy Research Institute (IFPRI), between 2006 and 2009 an estimated 15 to 20 million hectares of land have been leased by foreign investors for offshore farming related to food and/or biofuel feedstock production.[50] Though a number of these land grabbing deals are in the process of being negotiated and finalized, it is clear that private-sector and state alliances are key actors in these transactions and that the biofuel boom is driving extensive changes in land use with important social and environmental repercussions.

The large-scale conversion of land to biofuel feedstock production is not only undermining food security for millions of poor as noted earlier, but is also provoking widespread human rights violations in the global South and compromising biodiversity in important forested regions in the tropics. Fidel Mingorance (2007) from the Belgian-based Human Rights Everywhere (HREV) has documented forced evictions, the

[50] See von Braun and Meinzen-Dick (2009) for a breakdown of land grabbing by foreign investors based on media reports from 2006 to 2009. Also, see Seized! GRAIN *Briefing* Annex for a breakdown of 2008 land grabbers for food and financial security (GRAIN 2008b).

appropriation of land, and human rights violations related to palm oil plantations in Colombia. FIAN International has also drawn attention to this issue and reported on "the complicity of agroindustrial corporations, large land owners, and security forces in forced evictions in Brazil, Colombia, Argentina, Paraguay, and Indonesia (Ziegler 2007, 13). In reference to Brazil's booming sugarcane sector linked to ethanol production, MST leader Alexandre Conceicao warned of the overexploitation of labour of seasonal workers living in already precarious conditions, while Camila Moreno from the Rural University of Rio de Janeiro signalled that the growth of the ethanol industry is in essence breathing life in a modern-day version of the sugar plantation slave-labour of the past (Ibid., 14). The expansion of large-scale industrial farming and the subsequent increased competition for land thus deprives smallholder peasant farmers of access to land, creates conditions of exploitation for workers, and promotes industrial farming practices that threatens the environment. A good example of environmental degradation associated with the biofuel boom is found in a NASA 2006 report that noted how the expansion of soya (for biodiesel and food production) has been identified as the main current driver for deforestation in the Amazon (Biofuelwatch *et al.* 2007, 18). Indonesia is another critical site of forest cover loss and damage to the environment due to logging concessions and the expansion of oil palm plantations. The 1997 and 1998 forest fires in Sumatra and Kalimantan that led to the destruction of some seven to ten million hectares of forest and agricultural land (McCarthy 2000, 91), and drew worldwide attention to the

environmental damage that followed in the wake of plantation development.[51] Having already lost more than 60 percent (64 million hectares) of its forest cover since 1950, and with a rate of forest destruction estimated at between 2 million and 2.4 million hectares annually (Glastra *et al.* 2002, 4) Indonesia finds itself at the centre of the current oil palm expansion that is sweeping the globe. In order to understand the processes and mechanisms that are shaping Indonesia's oil palm expansion, it is essential to first situate it within the context of the current global oil palm industry.

3.2 The Global Oil Palm Industry

The oil palm plant originated in coastal West Africa where palm oil has long been a part of a staple diet for subsistence farmers, and today, it has become a major global agricultural commodity. The commercial planting of oil palm can be traced back to the early 20th century in colonial Southeast Asia and Africa, though large scale expansion did not begin until the 1960s, primarily in response to sustained declining rubber prices on the global market (Teoh 2010, 8). At present, palm oil is cultivated in 43 tropical countries around the world, yet major producers are largely concentrated in Southeast Asia, with Indonesia and Malaysia being responsible for nearly 85 percent of the global output (World Bank 2010, 3)[52]. Countries in Latin America and Africa, however, are progressively seeking to expand their industry, as the availability for suitable land in

[51] Estimates vary widely as to the extent of area destroyed in Indonesia through the practice of using fire to clear forest land for plantation development. See McCarthy 2000 for a breakdown of the areas affected.
[52] Though Indonesia and Malaysia are the first and second top producers of oil palm in the world, respectively, Thailand, Nigeria, and Colombia are increasing their production through a rapid expansion of area devoted to oil palm plantations.

Malaysia (and to a lesser extent in Indonesia) decreases, and as the global demand for oil palm continues to rise. At the height of the food crisis in 2008, crude palm oil (CPO) prices peaked at nearly US $1200 per metric ton, though have now dropped to an average of about US $800 per metric ton which is over 50 percent higher than the long-run trend over this past decade (see Figure 5). Palm oil is now the world's most abundant vegetable oil by volume: it accounts for more than 59 percent of international trade in vegetable oils, almost three-fourths of the global production is traded on the global market, and China, the European Union, India, and Pakistan remain key, major importers (Ibid, 7 - 8). Between 1980 and 2009, global oil palm production has increased more than nine-fold (see Table 4), and global demand is expected to double by the next decade (Colchester *et al.* 2006, 20).

It is palm oil's high versatility that has helped make it an increasingly sought-after commodity, coupled with its comparatively high yield in oil production per hectare of land used. The harvested fresh fruit bunches (FFB) are processed into CPO that in turn can be used in the production of a wide variety of food and non-food products. Palm oil is found in more that 50 percent of packaged supermarket goods such as cooking oils, chocolates, soaps, detergents, and cosmetics (Teoh 2010, 4), and it yields oleins that can be used to produce a host of goods such as plastics, textiles, emulsifiers, explosives, and pharmaceuticals (Colchester *et al.* 2006, 21). In addition, in the context of the more recent biofuel boom spurred on by blending mandates and national government subsidies,

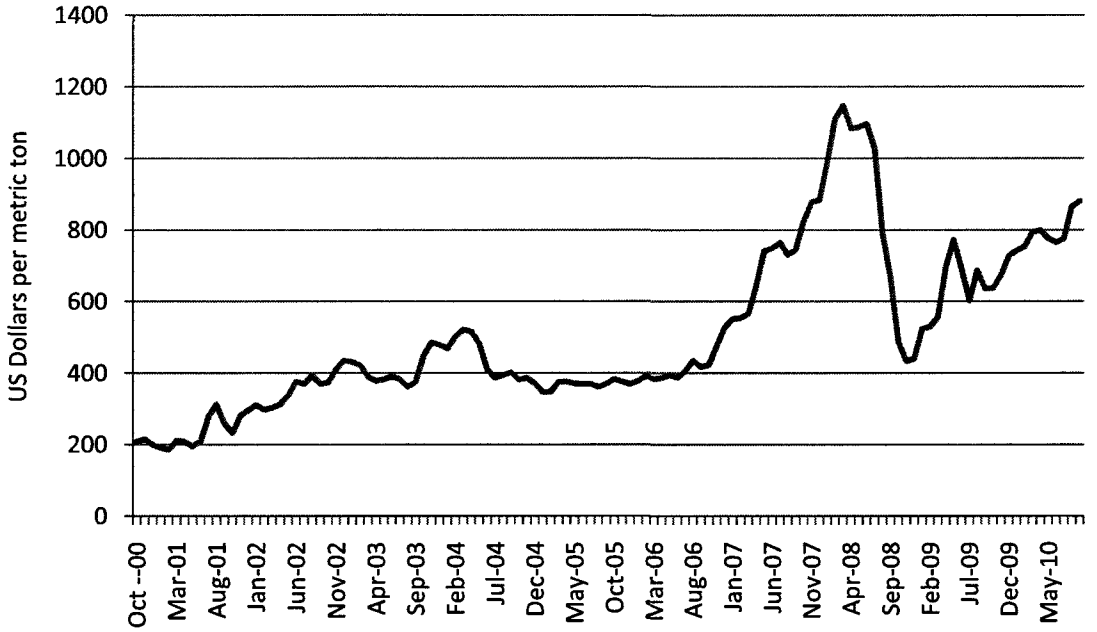


Figure 5: Crude Palm Oil (CPO) prices from October 2000 to September 2010. *Note.* Adapted from 'Palm Oil Monthly Price.' Data retrieved from *Index Mundi* http://www.indexmundi.com/commodities/?commodity=palm-oil&months=120. Accessed on 31 October, 2010.

palm oil is now increasingly being used as a feedstock for biodiesel production intended for domestic and foreign markets. As a feedstock for the manufacturing of biodiesel, oil palm is widely recognized as being the most productive in terms of litres of oil produced per hectare of land. According to Oil World, the average yield of palm oil is 3.8 tonnes of oil per hectare, which is considerably higher than other agricultural crops used in biodiesel production such as soybean oil, rapeseed oil, and sunflower oil that provide an average lower yield of 9.3, 7.6, and 5.8 times less, respectively, in comparison to palm oil (Teoh 2010, 7). At the January 2010 Global Donors Platform on Rural Development conference held in Rome, the World Bank's land tenure adviser, Klaus Deininger, noted

that oil palm was one of the fastest growing crops and that it was more profitable than any other land use given the current market conditions and rising global demand (Deininger 2010). The World Bank estimates that, at present, oil palm is being commercially cultivated on about 12 million hectares of land worldwide (World Bank 2010, 3), though that amount is set to dramatically increase as corporate interests, working with multilateral and bilateral organisations, government agencies, and local actors, seek to capitalize on newly emerging markets in the oil palm sector.

Table 4: World Production of Palm Oil from 1980 to 2009 (1000 tonnes)

Country	1980	1990	2000	2009
Indonesia	691	2 413	6 900	20 900
Malaysia	2 576	6 095	10 800	17 566
Nigeria	433	580	740	870
Colombia	74	226	516	794
Côte d'Ivoire	182	270	290	n.a
Thailand	13	232	510	1 310
Ecuador	37	120	215	436
Papua New Guinea	35	145	281	470
Others	768	786	1 699	3 236
Total	**4 809**	**10 867**	**21 951**	**45 111**

Note. Adapted from *Key Sustainability Issue in the Palm Oil Sector: A Discussion Paper for Multi-Stakeholders Consultations*, by Cheng Hai Teoh, Washington, DC: World Bank, 2010, p. 6.

Globally, palm oil development is dominated by the private sector, and ongoing corporate mergers are resulting in a 'palm oil industrial complex' characterised by new corporate-state arrangements that are determining the scope and speed of plantation expansion. The top 10 companies presently control about 2.3 million hectares of land and produce

approximately 22 percent of the world's palm oil production, while recent mergers and acquisitions by such companies as Sime Darby Berhad and Wilmar International have given rise to mega plantations representing new levels of market concentration (Teoh 2010, 6). Listed as being Asia's leading agribusiness group, the Singapore-based firm, Wilmar International, describes itself as the world's largest global processor and merchandiser of palm oil, in addition to being the largest palm oil biodiesel manufacturer in the world (Wilmar n.d.). It has shareholder alliances with US-based Archer Daniels Midland (ADM) and the agribusiness firm Kuok based in Malaysia.[53] Wilmar International competes with such firms as Synergy Drive (a merger of Malaysian companies controlled by the national government) set to become the world's largest palm oil entity, as well as with Cargill, the largest, privately-held company in the world (Greenpeace 2007, 39-40). These large TNCs, and others, have become dominant global commodity traders which have control over supply chains, plantation concessions, palm oil processing mills, biodiesel refineries, in addition to having direct control over extensive land banks in producing countries. Governments in the Global South are eager to attract foreign investors as a means of generating new sources of foreign exchange and national revenue, and as once-forested areas continue to be rapidly transformed into oil palm plantations, forces of resistance related to a host of environmental and social issues

[53] ADM claims to be the world's leading processor of agricultural crops and also claims to be Europe's leader in biofuels production, while the founder of Kuok, Robert Kuok Hock-Nien, was listed as being the richest man in Asia by Forbes in 2005 (Greenpeace 2007, 39).

that have been gaining momentum for decades, are increasingly being played out on local, national, and transnational settings.

The massive expansion of the palm oil industry did not really catch the attention of major NGOs until "the year the world caught fire" in 1997 when vast forest fires occurred in Indonesia, Papua New Guinea, Brazil, Colombia, and Africa as a result of fire being used to clear land for plantations (Dudley *et al.* 1997). Indonesia was one of the worst affected countries with millions of hectares of forest were destroyed by fire. A joint report prepared by the Ministry of State for Environment (KLH) and the UNDP concluded that there was considerable evidence pointing to how companies intentionally used fire to clear and prepare land for planting in order to meet ambitious planting targets (KLH and UNDP 1998, 76-9). A follow-up study conducted in 2000 by the World Wide Fund for Nature (WWF) International and the World Conservation Union (IUCN) reached similar conclusions and also linked market players such as Unilever, the world's largest buyer of palm oil, and key financial institutions such as Dutch banks ABN-AMRO, ING Bank and others, to the booming industry that was decimating Borneo forests and causing a drastic loss of biodiversity for the purposes of producing consumer goods intended for foreign markets (Rowell and Moore 2000). Soon after, WWF Germany launched a "Burning forests for margarine" campaign in an effort to hold German corporations accountable for using palm oil in their products (AidEnvironment 2007). Greenpeace International focused instead on the destruction of habitats for orang-utans in Indonesian rainforests

and how the conversion of peat lands into oil palm plantations was releasing massive stocks of CO_2 into the atmosphere, thereby significantly accelerating global warming (Greenpeace 2007).[54] A host of transnational NGOs, working with local organisations and social movements, thus targeted key players along the oil palm supply chain and sought to raise consumer awareness in the North in an effort to bring greater pressure to bear on the industry to adopt a more sustainable model of development for oil palm. The campaign eventually broadened to include social issues such as rural livelihoods, indigenous people's rights, and conditions of employment linked with oil palm plantation expansion and deforestation, which in turn, prompted a response by industry to counter the accusations of environmental and social damage caused by the oil palm sector. This response took the form of the Roundtable on Sustainable Palm Oil (RSPO) as an initiative put forward by major palm oil industries to, on the one hand, counteract public awareness campaigns that presented oil palm as a major threat to tropical forests and their inhabitants, while on the other, seek to establish sustainability standards for the industry.

In April, 2004, RSPO was incorporated under article 60 of Swiss Civil Law by leading actors in the oil palm sector that represent 40 percent of global production, in collaboration with major environmental NGOs, notably WWF (Colchester and Jiwan

[54] In 'Cooking the Climate,'Greenpeace noted that GHG emissions from peatlands are set to rise by at least 50 percent by 2030 at the current rate of oil palm expansion; it cited a European Commission report stating that the draining of wetlands to produce biofuels would produce a loss of stored carbon that would take hundreds of years to make up through the biofuels' annual GHG savings (Greenpeace 2007, 2-4).

2006, 1). RSPO is chaired by Unilever, has a voluntary membership[55] comprised of growers, producers, processors, traders, retailers, bankers, investors, and NGOs, and it aims to use market mechanisms to reform the way palm oil is produced, processed, and retailed by setting standards for the industry that discourage negative impacts and encourage 'responsible' expansion of the oil palm sector (Colchester *et al.* 2006, 32). In late 2005, all members voluntarily adopted the Principles and Criteria for Sustainable Palm Oil that addressed key environmental and social issues attributed to the industry with the understanding that members were "expected to support the Roundtable standards and actively promote the use of sustainably produced palm oil" (Worldwatch Institute 2007, 301). At a first glance, the public relations campaign linked to RSPO has, to date, yielded some positive results along the supply chain. In December, 2009, Unilever suspended palm oil purchases from Indonesian suppliers (PT Smart from Sinar Mas Group and PT Duta Palma) for destruction of peat lands; in March 2010, Nestlé similarly discontinued supplies of palm oil from Sinar Mas following a Greenpeace campaign against KitKat (Teoh 2010, 22). However, there continue to be a large number of major outstanding RSPO challenges linked to social and environmental issues, not the least of which is the traceability of 'sustainable' CPO by industry (Greenpeace 2007, 3). In 2008, some 250 organisations signed an "International Declaration Against the 'Greenwashing' of palm oil by RSPO, with a growing number rejecting RSPO as a solution to the negative outcomes of oil palm expansion as the politically induced demand for biofuels in

[55] As of December, 2010, the official RSPO website lists 399 Ordinary Members, 84 Affiliate Members, and 27 Supply Chain Associates (RSPO n.d.).

the Global North continues to attract massive investments and fuelling the oil palm boom (Pye 2010, 862). In order to understand the broader social issues associated with Indonesia's oil palm sector and the significant shortcomings inherent within the RSPO, it is necessary to first situate the booming sector in a historical context where agrarian reform and issues related to land have long been arenas of struggle and conflict for the peasantry and those who rely on forests and the land for their livelihoods.

3.3 Indonesia: Historical Background and Agrarian Issues

The Republic of Indonesia is an archipelago that consists of an estimated 17,000 islands located in the Indian and Pacific Oceans, and it has the world's fourth largest population with over 234 million inhabitants (Picotich and Schultz, 2006, 234-35). The three largest islands, Sumatra, Irian Jaya (Western New Guinea), and Kalimantan are situated in what is termed the outer islands and account for nearly 75 percent of Indonesia's land mass and 97 percent of the nation's 'state forests' (Peluso 1991, 5). The latter are recognized as being the third most extensive tropical forests in the world (DTE 2005, 25) that not only houses some of the richest biodiversity on the planet, but is also home to a diversity of indigenous peoples and forest dwellers with a long history of residing in the uplands. The Center for International Forestry Research estimates that in Indonesia some 50 million people live on 'state forest land' with an additional 20 million more living in villages near forests, all of which depend on the forest for their livelihoods (CIFOR

2004)[56]. With 80 percent of Indonesia's rainforest already having disappeared since the mid-1960s (Gouverneur 2009, 5), coupled with the current rate of deforestations estimated by the Indonesian Department of Forestry at 3.8 million hectares per year (DTE 2005, 25), it is clear that upland areas are increasingly becoming sites of contestation and protest as competing land claims and control over productive resources intensify. As noted by Nancy Peluso, rural poverty and 'land hunger' have been historically linked to the 'theft' of forest products or the 'squatting' on state or corporate forest lands by local peasants (1992, 9). Much of the modern-day conflict related to land can be traced back to earlier colonial policies "that were implemented by foreign and local elite whose interest was to maximize and extract profit," but is also linked to post-colonial and more recent reform policies that "remain biased against rural communities...[and] exclude the rural poor from the natural wealth around them" (Larson and Ribot 2007, 189).

At the time of independence from Dutch rule following the end of a three year Japanese occupation in 1945, Indonesia initially sought to pursue a path of nation building that included redressing issues of landlessness, rural poverty and violence linked to its colonial past. As a former plantation colony that saw its agriculture largely developed along export imperatives determined by foreign interests and controlled by local elites, frequent confrontations occurred between farmers and enterprises over the issue of land ownership and usage rights (Kano 2008, 297). With over a third of rural farming

[56] Colchester *et al.* (2006) estimate that between 60 and 90 million Indonesians make a livelihood from 'State Forest Areas' (p. 11).

households lacking land (more than 40 percent in Java) (Ibid.), agrarian reform thus became a key priority for the newly formed nationalist government. "Public attention focused on the need to overcome inequalities of colonial patterns of land use and to recognize the primary rights of those working the land" (Lucas and Warren 2000, 221). The Constitution of 1945 now restricted land ownership exclusively to Indonesians and national industries, it stipulated a maximum size for agricultural landholdings, and it provided the legal foundation for land reform and future endeavours for small tenant rights (Kano 2008, 289 & 293). The new Constitution also explicitly stated that every person had the right to own property (Colchester *et al.* 2006, 48). The Act would come to serve as the foundation for President Sukarno's Basic Agrarian Law (BAL) that was enacted in 1960 and which reflected the nationalist sentiment of independent Indonesia and "embodied the cultural significance and social security function of land" (Lucas and Warren 2000, 221). Under the Land Reform Programme (LRP) of the BAL, state land was prioritised for local people with the aim of redistributing it to poor peasants to improve their livelihoods and to maintain social justice with the understanding that having land was an 'obligatory right' (Bachriadi 2009, 3).

Land reform was sharply resisted by aristocrats, army officers, and members of the bureaucracy who had invested in land, and against the backdrop of mass land occupations by peasants seeking the implementation of BAL, hyper-inflation, and an alleged coup

attempt by the PKI Communist Party,[57] General Suharto rose to power[58] marking the beginning of a corrupt and brutal dictatorship that would last over 30 years.[59] In the wake of Suharto's ascendency to power, an estimated half million people, mostly rural peasants and farmers alleged to be supporters of the Indonesian Communist Party (Li 2007, 8), were exterminated as part of an effort to 'clear the ground' for re-growing the idea and practice of capitalist development (Fardi 2000). Land reform was brought to an abrupt halt, and land which had been distributed through LRP was taken back by local elites (Bachriadi 2009, 4), while the New Order established by Suharto placed capitalist development at the center of Indonesia's National Policy. According to Nancy Peluso *et al.* (2008, 212), the violence of 1965-66 "constituted a critical moment of primitive accumulation that has underpinned all further phases of capitalist development and forms of state, corporate and private accumulation in Indonesia." Agrarian transformation during the New Order period (1965-1998) generally took the form of large-scale land dispossession by central state institutions and their associated cronies (see Aditjondro 1993; Fauzi 1999), and development initiatives, supported by state violence and repression, were "an explicit attempt to contain the challenge presented by a mobilized peasantry demanding land reform" (Li 2007, 8). Suharto relied extensively on foreign

[57] See Harold Crouch (1973) 'Another look at the Indonesian "coup," *Indonesia* (15), April, p.1-20 for an analysis on the 30th of September movement (G30S) that also includes a comprehensive list of publications.
[58] On March 11, 1966, General Suharto was alleged to have received an executive letter (*Supersemar*) from President Sukarno giving him the authority to keep order in the country which served as the legal footing for his ascendency to power. The origin of this letter remains in dispute and the letter itself is 'missing'. (Saripudin, 1994: 40). Suharto also received extensive military support from the US (Li 2007).
[59] In 2004, Transparency International listed Suharto as the world's most corrupt leader ever, having allegedly stolen between US$ 15 to 35 billion during his 32 years in power ('Suharto tops…' 2004).

investment from Japan, the US, and the EU, and he promptly replaced the nationalist *pribumi* (children of the homeland) entrepreneurial class with his business cronies that now headed the state-run and military-run enterprises (Kano 2008, 247-48). Unfettered access to land thus became an essential, oftentimes bloodied, input to industrialisation and economic growth under the New Order.

Suharto recognized, however, that though he held absolute political and military power in Indonesia, any attempt to dismantle the Constitution, and in particular the 1960 Basic Agrarian Law that had taken 10 years to formulate, would lead to wide-spread revolt. His solution was to neither revise nor revoke the Constitution, but to simply circumvent it by passing new forestry, mining, and land use laws that ultimately "facilitated the exploitation of natural resources by private interests" (Lucas and Warren 2000, 222). Significantly, restrictions on foreign ownership were relaxed and deregulation policies were implemented to allow for the compulsory release of title under the requirements of 'national interest,' which paradoxically, is a part of the 'social function' of the Basic Agrarian Law (Ibid., 221). The New Order government established its legal claim to ownership and control over national resources by referring to Article 33 of the 1945 Constitution that stated that "land and water and the natural riches contained therein shall be controlled by the State and shall be made use of for the people" (McCarthy 2006, 1). Article 33 (and other sections of BAL) provided the State with the constitutional authority to enact Basic Forestry Law (BFL) No. 5 in 1967 which extended the state's

sovereignty over all forested areas (70 percent of Indonesia's land mass), effectively treating these forests as 'empty', and subordinating all use and access rights to forestry exploitation (Colchester *et al.* 2006, 50). As a result of BFL 5/1967, millions of hectares of land were thus appropriated as 'state forests' and large capital investments in forest resource extraction have followed ever since in the form of lucrative logging and plantation concessions.

Suharto's development policies thus centered on controlling natural resources by designating large portions of the outer islands as 'forest,' irrespective of long-standing agrarian uses (Li 1999), and by allocating these areas to private interests that were usually urban elites with close ties to key political figures (McCarthy 2006, 9). As part of the economic take-off strategy of the New Order, the government adhered to an "overwhelming policy commitment to making Indonesia's resources available for large-scale capital investment" (Lucas and Warren 2000, 223) which translated into a "massive transfer of land access, entitlement, and ownership from the many to the few" (Katoppo 2000, 214). Suharto's state-led development policies allowed for rapid and extensive deforestation in the uplands, and in the name of "national interest", timber was extracted at an alarming rate and scale. By 1980, an average of 5,500 square kilometres of forest was cut down annually, and this rate would continue to increase over time so that by the 1990s, an estimated 12,000 square kilometres of forest was being clear-cut logged every year (Kiddell-Monroe 1993, 230). Suharto and his military ruling party, GOLKAR, thus

orchestrated large-scale forest enclosures where land and forest resources could be appropriated and assigned to beneficiaries loyal to the party and who were deemed to be more 'efficient' users of national resources, while order was maintained through the calculated use of punishment and reward (Li 2007, 58). Former State Minister for the Environment Sawono Kusumaatmadja revealed that by the early 1990s, "Indonesia's growth euphoria gave way to greed-driven economic growth, and the country was subjected to a regime of runaway rent-seeking, crony capitalism, nepotism, and blatant corruption" (Kusumaatmadja, 2000, 207). In essence, the New Order's forest policy entailed a transfer of the flow of benefits arising from resource extraction away from villagers who accessed land under customary arrangements (*adat*) (McCarthy 2006, 9) which invariably placed forestry "right at the heart of most agrarian struggles in Indonesia" (Peluso *et al.* 2008, 209).

In most forested upland areas, communities have long asserted a customary claim over surrounding land and territory with respect to other groups, and since the time of Dutch colonial scholarship, the traditional arrangements of local communities has been known as *adat*. As noted by McCarthy (2006, 3), in "the years, decades, or even centuries of local use, villagers have collected forest products or opened areas for cultivation" and "[a]ccess to the land and the forest within such territories has long been a right of members of a village". In the context of colonial administrative expansion and the continued encroachment of capitalism into land 'held' by local villagers, Leiden

professor Cornelis Van Vollenhoven put forward the concept of *adat* law that came to be incorporated in a dual legal system of customary and statutory law under the Dutch Agrarian Law of 1870.[60] Under the dual system of land tenure, plantation holdings and administrative lands were to be governed by statutory European law, which also included land disputes with local residents, while for purposes of traditional agriculture and community land tenure, *adat* law was to apply (Kano 2008, 283-84). A distinction was made between communal land allotted by the village and private land that was owned by individual households, and in theory, villages could exercise communal rights by controlling: 1) the clearing and use of uncultivated land; 2) the use and disposal of reclaimed land, and in particular arable land; and 3) the provisioning of land to village officials in lieu of salary (Ibid., 285-6). In practice, however, the colonial government could still invoke 'eminent domain'[61] over *adat* land, while at the same time recognizing some local rights over land. The Agrarian Law of 1870 declared "the state to be the owner of forests and any other 'wasteland' not under permanent cultivation," and officials ruled that the category of wasteland included "managed forests and the fallow land Native farmers used for rotational or swidden agriculture" (Li 2007, 39). Therefore, the concept of *adat* law elaborated on by Van Vollenhoven was not intended to challenge the legitimacy of colonial rule or capitalism, but rather to forestall the upheaval that was sure to follow; he ultimately argued that customary land tenures would gradually be

[60] This law embodied the basic principles that governed land tenure in Indonesia until BAL 1960 (Kano 2008, 282)

[61] The principle of 'eminent domain' asserts that the state can seize a citizen's rights in property with due compensation, but without the owner's consent.

phased out by the 'Natives' themselves as individualized tenure became more common, and if not, they should be expropriated by due legal process (Ibid., 49).

For the 60 to 120 million indigenous peoples, comprised of some 500 ethnic groups and an estimated 600 language groups, who refer to themselves as *Masyarakat Adat*[62], the nature and status of *adat*, customary rights (*ulayat*), and customary land (*Tanah adat*) have been central to on-going struggles over land in Indonesia (Sirait 2009). Under the traditional *adat* land rights system, land was regarded as the common property of a community, and the communal right to land, *hak ulayat*, could not be bought, sold or leased (Kiddell-Monroe 1993, 231). *Adat*, however, can vary widely across the archipelago where there are presently 16 broad forms of *adat* law identified throughout Indonesia (Ibid., 232), which not only relate to issues pertaining to land access and land use, but also "inform village practice and facilitate settlement of village disputes" (McCarthy 2006, 3). It is important to also note that, historically, stratification within villages was the norm: the prevalent classes consisting of village officials who held individual and communal land rights, the core villagers who had about an equal amount of land, and the landless who were granted communal land use for subsistence agriculture (Kano 2008, 286). By the time of independence, however, the traditional *adat* system had already changed considerably, with private ownership, the buying and selling of land,

[62] *Masyarakat Adat* is defined by the indigenous peoples of Indonesia as communities "that live on the basis of their hereditary ancestral origins in a specific customary territory, that possess sovereignty over their land and riches, whose socio-cultural life is ordered by customary law, and whose customary institutions manage continuity of their social life" (Sirait 2009, 2).

and unequal distributions within a community considered common place (Ibid.). Against this backdrop of a differentiated rural landscape, the New Order regime enacted land and forest laws that made reference to customary rights on paper, but in practice overrode them with the claim of eminent domain (Li 2007, 51).

In the *Reformasi*[63] period that followed the demise of the Suharto regime in May 1998, and which has included a number of decentralisation initiatives leading all the way up to present day, Indonesian laws continue to interpreted by the state and by capital for the latter's own interests without respecting the rights of indigenous peoples (Sirait 2009, 2). While revisions to the Basic Forest Act (No.5/1967) recognised the existence of *adat* forest (*hutan adat*), it maintained the concept of the 'forest areas' (*kawasan hutan*) as falling under the dominion of the state, thus retaining the power of the centralized forestry bureaucracy, and therefore, did not meet the demands for more regional autonomy (McCarthy 2000, 122-23). In reference to more recent laws (i.e., Presidential Regulation No. 36/2005)[64] related to land procurement by the state for development purposes, once a public interest is demonstrated, ownership may be readily revoked and a community has no right to stop land acquisition by the government. Colchester *et al.* drew attention to how Indonesian land laws differ from those in most other countries

[63] The fall of Suharto led to a more open political atmosphere and a movement against corruption, collusion, and nepotism (KKN). It resulted in a series of political changes known as *Reformasi* that were intended to shift power away from the center through decentralization, yet in many respects led to the empowerment of local interests seeking political and financial gain and who benefitted from the support of the military and the police (McCarthy 2006, 138-41).
[64] See Colchester *et al.* (2006, 55).

regarding land acquired for public purposes, in which owners have the right to due process and compensation, and land acquired for private purposes, in which owners have the right to refuse sale. The authors note that

> [u]nder Indonesian Land laws these distinctions are blurred because all land tenures are subject to the test of performing their social function. Tenures are thus relatively insecure and even development projects consonant with the achievement of government-set targets can be considered to be of 'public interest,' even where the direct beneficiaries are private corporations.
>
> (2006, 52)

Advocates for indigenous rights, thus represent an important aspect of the multi-faceted social movements and organisations centered on agrarian and environmental justice in Indonesia. Coalitions among various movements and organisations, whether at the local, national, or transnational levels, remain in a regular state of flux linked to competing interests over land and the politics of access to those lands which are shaped by a complexity of relations between the state, capital, and society. In order to better understand contemporary rural resistance in Indonesia, however, it is first necessary to review the origins and dynamic nature of agrarian and environmental movements in Indonesia, and how competing claims and interests have led to a diversity of rural resistance in the larger context of agrarian reform.

3.31 Rural Politics and Resistance

Following the 1965 massacre orchestrated by Suharto, which created a deep and long political crisis for villagers (Heryanto 2006) and marked a decisive turning point in history of social movements in Indonesia, urban and rural grassroots movements, peasant and worker organisations, and civil society as a whole were banned and systematically suppressed under the New Order regime. During this period of authoritarian developmentalism, national projects further entrenched unequal land distribution inherited from the colonial era and increased landlessness (Bachriadi 2009, 4),[65] while agrarian politics shifted from one of reform, mass mobilisation and intensification, to a top-down Green Revolution model that precluded land reform and virtually silenced all critical discourse on agrarian transition and rural poverty (White 2005, 121-2). The state, corporate agro-industry, and forestry institutions concentrated land power, and pro-capitalist agrarian programs were implemented in the form of forest exploitation, and large state/corporate plantations, and all were tied to global capital and backed by Suharto's military-bureaucratic regime. The New Order government had no tolerance for political protest, and it established institutional and legal controls that were accompanied by a depoliticisation of the rural population through the replacement of existing peasant organisations with the Indonesian Peasant Harmony Association (HKTI) which was managed by the military and formally affiliated with the state ruling party, GOLKAR

[65] The percentage of landless people relative to farm households went from 21 percent in 1983, to 30 percent in 1993, and up to 36 percent in 2003 (see Bachriadi and Wiradi 2009).

(Peluso *et al.* 2008, 214). Political activity was essentially co-opted by state corporatism and controlled by the authorities through the military officers that were stationed in villages, by regulating peasant movements via the HKTI, and through the elected heads who administered the newly-imposed hierarchical structure at the village level (modeled on the *desa* of Java) and who were "responsible for delivering development, order, and votes for the ruling party" (Li 2007, 57-8). As Gillian Hart (1989) points out, state patronage is central to understanding agrarian processes, and the suppression of open antagonism between rich and poor within rural society reinforces the state's need to exercise direct control which partly takes the form of incorporating rural elites into the state machinery as functionaries (31, 41). As a result, though there were organised and spontaneous protests, even in the form of land occupations,[66] that occurred during the 1970s and early 1980s, the pervasive control of the military regime was successful in maintaining a high degree of 'political stability,' though at an unconscionable social and environmental costs.

By the early 1980s, however, a grassroots environmental justice movement began to gain some traction as a 'safe' arena for activists to voice their opposition to Suharto's large-scale extractive projects that were having a devastating impact on the environment and on local communities. Though political expression was severely restricted during the New Order, environmentalism was seen as an alternative avenue for dissent (Kusumaatmadja

[66] Since the 1970s, the Pasundan Peasant Union (SPP) in Garut, West Java was involved in direct land occupations that continued into the 1980s (see Bachriadi 2002).

2000, 206). A new umbrella institution, the Indonesian Forum for the Environment (WALHI) was founded in 1980, and with the support of transnational institutions, environmental lawyers, and policy advisers, it called for a more sustainable approach to development and argued that the state's modernisation and extractive policies were done at the expense of the environment and were responsible for displacing cultivators and forest-dependent people (Peluso et al. 2008, 214-5). Though the New Order Regime treated any criticism of its development policy as subversive, environmental debates became the only public media through which farmers' rights could be discussed. The repressive and authoritarian nature of Suharto's government, in fact helped generate further support from international environmental NGOs, advocate organisations, and sympathetic foreign governments. In time, WALHI allied itself with a key participant of the environmental movement, the Masyarakat Adat, which was founded in the early 1990s both as an agrarian and environmental justice organisation, and with the additional support of YLBI, the Indonesian Legal Aid Foundation, and rural- and urban-based student groups, the coalition framed its criticism of existing laws by framing its advocacy in terms of indigenous rights and environmental justice (Ibid., 218). The organisations also found common ground in mobilizing against sections of BAL that allowed for land appropriation by the state, and though agrarian activists and farmers, who traced their movement's origins back to the Indonesian Peasants Front (BTI) formed in 1945, were not attuned to environmental issues per se, they remained broadly allied to the environmental and indigenous movements, albeit largely under the public radar screen to

avoid persecution (Ibid., 212 and 219). During this time of 'tolerance' for dissent on environmental matters, it is important to note that there always remained tangible risks of being labelled a 'communist supporter', and since the mid-1980s, thousands of protesters were arrested, many were killed, and many more faced desperate living conditions following eviction (Bachriadi 1998, 2004). The nature of resistance and protest in Indonesia, however, underwent a dramatic change once the Suharto regime collapsed following the economic crisis of 1998 (krismon) and under the escalating pressure of the *Reformasi* movement.

In the aftermath of Suharto's fall, the unresolved agrarian tensions related to large-scale land appropriations, which often involved bloody clashes, exploded as tens of thousands of peasants, farmers, landless people and smallholders occupied state forests and plantation land. The 'social time bomb' related to land that had long been brewing in Indonesia had ignited.[67] Within the first 6 months, the National Land Agency (BPN) recorded some 1,395 land dispute claims, most of which centered on the principal issues of "the aborted land reform program which left most farmers without legal title, the consequent weakness of their position in the negotiation process, and the inadequacy of compensation" (Lucas and Warren 2000, 226). Pro-reform academic Gunawan Wiradi (1997) advocated a strategy of 'land reform by leverage' (Powelson and Stock 1990) that essentially entailed occupying, holding, and transforming the use of land (Peluso et al.

[67] An editorial in the *Jakarta Post* (November 4, 1995) observed that 'the land problem in this country could become a social time bomb if it is not handled with care.' (cf Lucas and Warren 2000, 220).

2008, 221-2). Following this approach, the Pasundan Peasant Union (SPP), as the largest peasant organisation in Java representing over 30,000 mostly landless and extremely poor peasants, confronted the State Forest Corporation (SFC) and the State Plantation Corp (SPC), occupied more than 15,000 hectares of state land in the uplands of West Java, and successfully maintained this occupation despite the SFC and SPC having hired hundreds of thugs to evict them (Ibid.). Thus, the more open political climate of the *Reformasi* era enabled once underground agrarian reform groups to emerge in the public forum, to negotiate with government officials, to undertake measures to reclaim land that had been appropriated, or to simply claim land as an inherent right to a better livelihood. The Consortium for Agrarian Reform (KPA), which was first established in 1994, adopted an initial focus on grassroots popular education programs on agrarian reform, while the Federation of Indonesian Peasant Union (FSPI),[68] founded in 1998 and building on an earlier peasant organisation, the West Java Peasant Union (SPJB) established in 1991, centered on returning the movement's leadership back to peasant leaders (Bachriadi 2009, 7-8). Both movements came to represent different types of NGOs advocating pro-poor agrarian reform in Indonesia. Finally, the Alliance of the Indigenous Peoples of the Archipelago (AMAN) was founded in 1999 as a national organisation, and it pursued a strategy of legitimizing the territorial claims of indigenous peoples by tying their customary practices of agroforestry to the environmental goals of sustainability (Peluso et

[68] In 2007, the organisation changed its name to the Indonesian Peasant Union (SPI) and no longer allowed organisations to become members, arguing instead that individual memberships would better enable peasants to fight for their own class interests (See Bachriadi 2009 for a detailed account).

al. 2008, 218). It is within the context of a dynamic and complex 'agrarian environment,' that issues of representation and contestations over use, access, and control of land occurred between (and within) interconnected environmental, indigenous peoples, and agrarian reform movements, all of which involved shifting coalitions that were shaped by strategic political manoeuvres adopted by the various movements.

As pro-poor agrarian movements re-emerged publicly in the late 1990s and into the *Reformasi* era, some of the common ground began to erode within and between the interconnected organisations over issues of resource management and agrarian reform. On the one hand, the environmental movement witnessed an internal split between 'relatively coercive' conservationists (often international) who were intent on protecting forests from exploitation, and environmental justice advocates who argued for access to land and forest resources for *Masyarakat Adat* portrayed as sustainable resource managers (Pye 2010, 857). While on the other hand, a rift occurred between agrarian reform movements who advocated for land reform for peasants in areas designated as state forest, which conflicted with the environmental movement that had helped establish forest reserves for protection or conservation and not for large-scale production or development (Peluso *et al.* 2008, 228). In addition, within the agrarian reform movement there was a widely held perception that AMAN and other indigenous groups claiming 'customary rights' were dominated by 'feudal elites' that had resisted anti-feudal and anti-colonial movements in the 1940s and 1950s. As a result, reform activists were

unwilling to facilitate their inclusion into agrarian reform initiatives (Ibid., 229). There were also significant differences that divided the agrarian movements FSPI (Sumatra-based) and KPA (West Java-based) on issues related to the most suitable base for a national level organisation, funding, and other sources of competition, to name a few (Lucas and Warren 2003). It is important to note as well, that the fault lines that surfaced between and within the various movements in the *Reformasi* and post-*Reformasi* eras were also taking place against the backdrop of increasingly entrenched neoliberal reforms. These economic reforms had begun in the latter part of the Suharto regime and involved a shifting of power away from the center and toward regional and local arenas through decentralisation initiatives that would provoke different responses from the broad spectrum of movements in Indonesia.

In the context of neoliberal reforms and decentralisation, critical differences also arose in relation to agrarian reform goals under BAL and national agrarian reform decrees issued by the central government that included community based natural resources management (CBNRM) initiatives and TAP MPR IX/2001.[69] According to FSPI, the largest Via Campesina affiliate in Indonesia, the 2001 parliamentary decree, TAP MPR IX/2001, worked in favour of pro-market forces, invalidated the reform tenets of BAL, enhanced the process of liberalisation of natural resources, and served more the interests of 'dark

[69] According to Bachriadi (2009, 30) since 1999, the SPP has been a significant force in pressuring the National Assembly to promulgate the decree. Colchester *et al.* (2006, 13) note that the required reforms of forestry and agrarian laws have yet to be put into effect.

green' environmentalist and corporate environmentalism than the cause of environmental justice (Peluso *et al.* 2008, 225-6). For KPA and SPP, environmental justice organisations and agrarian reform movements were seeking the same solutions, and that by linking agrarian structural inequalities to the ecological crisis, they argued that solving the first problem might ameliorate the second, and that the TAP MPR IX/2001 offered a means of justifying occupation and bringing land reform back to the bargaining table (Ibid., 226). As such, the ideology underlying CBNRM initiatives that involved relocating control at a local level could be represented on the one hand, as being a neoliberal strategy for reducing big government (McCarthy 2005), while on the other, could serve as a mobilizing strategy for agrarian reform. A more recent land reform initiative announced by President SBY in 2006 that would involve the redistribution of 8.15 million hectares of state land was would also prove to be divisive within agrarian movements. In reference to the Presidential decree, FSPI warned of the dangers of a 'pseudo-agrarian reform' because "the scheme could be implemented without substantial political-economic transformation" (Peluso *et al.* 2008, 230-1), while KPA and some other peasant organisations argued that "although the political-economic structure would not radically change, the plan could be used to facilitate the legalization of hundreds of thousands of claims on occupied lands by dispossessed peasants and indigenous groups" (KPA 2006, cf. Peluso *et al.* 2008, 231). These and other points of contention play out in varying degrees with respect to agrarian reform issues linked to Indonesia's oil palm

sector, and a review of this important national industry is necessary in order to situate these debates in within this specific context.

3.4 Indonesian Oil Palm: State-led Land Grabbing and Smallholder Incorporation

Oil palm is considered to be the most significant boom crop in Southeast Asia, and since 2007, Indonesia has become the world's leading producer of palm oil.[70] Indonesian oil palm has the lowest production costs in terms of labour and land; it also offers the most efficient feedstock for biodiesel in litres per hectare, and as a result, the country is seeking to become the largest biodiesel producer in the world (McCarthy 2010, 822-3). Oil palm represents 13 per cent of Indonesia's agricultural output (second only to rice), and it generated US$ 7.9 billion in export earnings in 2007 with over 3 million workers directly employed in the industry (WB 2010, 8-9). Though palm oil was first cultivated for soap production in Central Java starting in the mid-19th century, plantations producing edible oil first appeared in Sumatra in 1911 which eventually expanded into large-scale production in the 1960s as rubber underwent a sustained decline in prices on the international market (Larson 1996, 5). The World Bank Group (IBRD / IDA) has supported earlier public sector Nucleus Estate Schemes (NES) by committing US$ 618.8 million to government sponsored plantation-smallholder development projects between 1969 and 1983 (WB 2010, 30), and have also supported subsequent joint public-private partnerships involving Indonesian and foreign companies from the mid-1990s onward

[70] Indonesia exports 68 percent of its production to 150 countries which include major importers such as China, India, Malaysia, Singapore, and the Netherlands (IPOB 2007, 15).

during a period of extensive deregulation and privatisation. Currently, the island of Sumatra represents over 70 percent of the country's planted area, while Kalimantan has more than 25 percent of the estimated 7 million hectares of oil palm plantations in Indonesia (Colchester *et al.* 2006, 24). According to the Indonesian Ministry of Agriculture (IPOB 2007, 4), 12 percent of the total plantation area is owned by the government, 53 percent is in the hands of the private sector (national and foreign), and 35 percent is owned by smallholders (see Table 5). Since the inception of large-scale oil palm crops in Indonesia, the sector has developed along distinct, and at times, over-lapping periods of agrarian policy and practice, with smallholders being incorporated in shared various NES schemes modeled after the former colonial Cultivation System (White 1999, 232).

After having initially implemented various types of plantation schemes through direct state investment in state-owned companies, the New Order regime introduced an 'estate-transmigration program' (PIR-TRANS)[71] from 1986 to 1994 that "involved state-supported large-scale conglomerate firms typically led by Sino-Indonesians close to the politico-bureaucrats at the regime's apex" (McCarthy 2010, 828). This model comprised

[71] In 1976, the Indonesian government first implemented the People's Nucleus Plantations Scheme, known as the *Perkebunan Inti Rakyat (PIR)* model, which was rooted in colonial cultivation systems where farmers in surrounding areas were to supply land and labour to plantation production (Kiddell-Monroe 1993, 251).

Table 5: Area and Palm Oil Production in Indonesia 2000 – 2006 (1000 tons)

	Area (1000 Hectares)				Palm Oil Production (1000 Tonnes)			
Year	**Public**	**Private**	**Small-holder**	**Total**	**Public**	**Private**	**Small-holder**	**Total**
2000	588	2 403	1 167	**4 158**	1 461	2 403	1 905	**5 770**
2001	610	2 542	1 561	**4 713**	1 519	4 079	2 798	**8 396**
2002	632	2 627	1 808	**5 067**	1 607	4 588	3 427	**9 622**
2003	663	2 766	1 854	**5 284**	1 751	5 173	3 517	**10 441**
2004	665	2 781	2 120	**5 567**	1 988	6 359	3 847	**12 194**
2005	678	2 915	2 357	**5 950**	2 237	7 883	4 501	**14 621**
2006	679	3 022	2 549	**6 250**	2 328	8 541	5 612	**16 841**

Note. Adapted from *Indonesian palm oil in numbers*, Indonesian Palm Oil Board and Ministry of Agriculture, 2007, Jakarta: DHB Printing, p. 7.

of private-sector and state-owned companies charged with clearing the land and gaining access to forest land held under customary law by way of an estate-smallholder (*Inti-Plasma*) sharing scheme with 20 percent of the total land going to the estate and the remaining 80 percent granted to smallholders in maximum parcels of 2 hectares (Kiddell-Monroe 1993, 253).[72] The state thus facilitated access to forest and village lands, developed infrastructure, and provided credit at concessionary rates for plantation development. It would provide financing for smallholder plots, in addition to some expenses related to living and housing, while the nucleus estate was responsible for extension services, as well as the collecting and processing of fresh fruit bunches (FFBs)

[72] NES *inti-plasma* models are highly variable; for example, they can take the form of 30:70 or 2.5:7.5.

(Larson 1996, 5). However, what became known as 'the world's largest ever human exercise in resettlement' (Hancock 1997), the World Bank-funded transmigration program, which relocated an estimated 6 million[73] people to rainforest areas and appropriated land and resources through a process of 'internal colonisation', was fraught with problems for both for the local and migrant populations. On the one hand, the local communities "faced the double indignity of having their lands taken over for the creation of transmigration sites and then being forcibly resettled back on their own lands" as a minority (Ibid., 236); while on the other, the transmigrants settled on inadequate sites, were often forced to abandon them as a result of starvation, disease, and limited water access, and were left to pursue economically marginal existences in forested regions or in deteriorating transmigration sites (Kiddell-Monroe 1993, 249). A second generation of oil palm plantation development would emerge in the mid-1990s, in part, to address some of the social issues associated with PIR-TRANS, but more importantly, in response to the World Bank's promotion of neoliberal 'free market' principles in the development of the oil palm sector and its criticism of on-going state support for smallholders (Larson 1996).

Between 1995 and 1998, the Indonesian government implemented a series of deregulation and privatisation policy changes in an effort to encourage private sector initiatives, facilitate FDI, and accelerate estate crop development, while at the same time addressing issues related to land disputes, smallholder cooperatives (KUD) support, and

[73] The Transmigration Program had originally projected to relocate 65 million people in all (Kiddell-Monroe 1993, 245).

infrastructure needs. Based on a new direct private-community 'partnership' model, private companies established a separate entity known as the Primary Cooperative Credit for Members (KKPA) that would 'partner' with existing smallholder cooperatives (KUD) and facilitate the provision of credit, provide training and extension services, and establish infrastructure without direct state engagement (McCarthy 2010, 830-1). The KKPA scheme also involved integrating local indigenous populations that had relinquished customary land in the earlier PIR-TRANS development model, yet had been excluded from the oil palm plantation project and which remained a major unresolved issue in the outer islands. In order to participate as a smallholder in the *inti-plasma* scheme (following the previous 80:20 model) available through the KKPA, however, individual households needed to release an additional 2 hectares of land that would be developed through the KKPA, with the entire cost of development and maintenance of the plot transferred onto the peasant households (Sirait 2009, 33). As noted by John McCarthy (2010, 831), "the KKPA model represented a clever strategy to access land while creating more acquiescent land owners," with the state providing the company with concessionary rates from an 'executing bank' supported by the Bank of Indonesia. With the plantation companies acting as brokers and guarantors to the bank, in addition to acting in role of liaison to the government, the KKPA system served to reinforce the hegemony of a third party company (Sirait 2009, 33). As such, smallholders are locked into a cycle of high indebtedness as they repay the cost of development for their parcel of land, in addition to the multiple fees related to maintenance, transportation, and inputs, to

name a few, through a system founded on the principles of monopoly and monopsony that further erode smallholder incomes engaged in such 'partnerships' (Julia and White 2009, 7). Following the collapse of the Suharto regime, Indonesia entered a period of decentralisation during the *Reformasi* era, and in the context of a progressively neoliberal approach, a new generation of oil palm development models emerged alongside existing schemes implemented to date.

As districts gained greater authority and control over local development initiatives under decentralisation, new pro-plantation policies were implemented to attract investors under a framework of 'partnership' schemes that fell under the rubric of *kemitraan*. Though earlier PIR-TRANS and KKPA models represented varying forms of 'partnerships' for smallholder oil palm development, the new policies driving the *kemitraan* schemes were also characteristically shaped by neoliberal 'free-market' reforms that propelled the industry into a frenzied expansionist phase of accumulation and growth for agribusiness and for well-positioned local entrepreneurs. The new model entailed a reversal of earlier smallholder-estate development models whereby the majority of the land surrendered by local landowners would now be dedicated to estate development such as in the case of a new 20:80 model. Under this business model, locals might relinquish 16,000 hectares of land, for example, yet only see 4,000 hectares developed into smallholder parcels; oil palm companies argued that any reduction of estate land would render the project financially non-viable (Zen *et al.* 2008, 2). The smallholder parcels would also remain

under the control of a cooperative financed by and answerable to the company with no local accountability or oversight of the processes for distributing benefits (Ibid, 3). In this particular version of the *kemitraan* model, the entire *inti-plasma* area is managed by the company, and the smallholder may, or may not be, involved in the labour force employed by the company to maintain the plots and harvest the oil palm fruit. As noted by Martua Sirait, 'the plantation companies had no interest in developing oil palm plantations for peasants or in renegotiating earlier oil palm schemes taken up by indigenous peoples," therefore, this model of peasant 'shareholdership' was offered as a solution to existing land conflicts where participating households 'received passive income from the average production of plots" (2009, 46). Significantly absent in this model is the issuance of title of the *plasma* plot to the smallholder following a cycle of repayment, which has important repercussions for current and future generations of smallholders who will have relinquished control over *all* their land under this 'partnership' scheme. As such, the commodification and sale of village common and private lands has resulted in an "irreversible shift in the ownership of agricultural assets" away from the poor, and the capital-intensive development of oil palm plantations under this model of *kemitraan* makes it "ideal for an absentee landlord-wage labour mode of production" (McCarthy 2010, 845). Underlying the various oil palm schemes, however, distinct and ever-changing processes are associated with the development of the industry, and key stages of development are characteristic of the plantation cycle.

Most plantations are established on 'state forest land' that has since been converted to agricultural production land in accordance with established governments regulations, and oil palm production follows distinct stages in the plantation cycle. Land that is identified for plantation development needs to first be transferred from the Ministry of Forest to the Ministry of Agriculture which in turn jointly issues with the National Land Agency (BPN) a temporary location permit (*Ijin Lokasi*) that regulates capital investment in relation to land acquisition (Colchester *et al.* 2006, 63). In order for a company to receive a Plantation Business License (IUP) that is required to undertake oil palm production, it must first obtain the following: 1) written confirmation from the Forestry Department indicating that the land in question is not designated forest area; 2) Business Utilisation Rights (HGU) issued from the BPN which attests to the land being free from conflict and is the property of the state; and 3) approval of an Environment Impact Assessment (EIA) by the local government regarding the social, economic and biophysical impacts of the project (Sirait 2009, 36). Fulfilling these requirements also involves a process of 'socialisation' where villagers and local land owners are to be made fully aware of all aspects of the plantation project, including the obligations and responsibilities of the company and smallholders under a particular scheme, in order that informed consent can be given by the villagers who are being asked to have their private or community managed land converted to state land for development. Once a HGU is issued to either a state-owned, national private, or foreign investment company, the plantation concession is generally awarded for a duration of 25 years, with the option for an extension (Ibid,

32).[74] The company then undertakes the development of the estate (*inti*) plantation and the smallholder plots (*plasma*) in accordance with the scheme adopted, with the latter being certified through individual land titling (SHM). Following the initial planting, the oil palm production cycle usually requires three to eight years before bearing quality fresh fruit bunches (FFBs) that can be processed into crude palm oil (CPO), and after 25 years, the trees are too old or too high to harvest which initiates a new cycle of replanting (Ibid.). As mentioned earlier, large-scale oil palm plantations in Indonesia have historically been associated with the often illegal takeover of indigenous peoples' and farmers' lands, as well as the exploitation of workers and smallholders (Colchester *et al.* 2006, 18), and key NGOs, social movements, and advocacy groups have played a critical role in addressing these and other issues associated with the sector.

3.41 Activism, Conflict, and Resistance in the Indonesian Oil Palm Sector

As noted earlier, rural social movements in Indonesia involve complex and dynamic interactions between environmental and agrarian justice movements that include peasant and indigenous people movements and various alliances with TAMs, all of which are engaged in competing and parallels claims that take distinct forms with respect to the oil palm industry. One segment of the local peasant movement is represented by FSPI and other allied groups that work actively with Vía Campesina to bring issues related to

[74] According to Dianto Bachriadi from ARC, three years ago, foreign investors asked the government to extend the standard HGU of 25 years to 95 years. However, after massive public protests led by social movements across the country, the Constitutional Court ruled that a 95 year lease was in conflict with the BAL 1960 (Bachriadi 2010).

agrofuels to the global arena. Collectively, they represent Indonesian peasants who struggle against neoliberal globalisation and rally for peasant autonomy and the right to land under the banner of food and land sovereignty.[75] As such, this element of the peasant movement is not directly engaged in supporting peasants who are involved in the oil palm sector, though they do play a critical role in resisting the incursions of capitalism and the expansion of TNC agribusiness in the name of agrarian justice. A second segment of the Indonesian peasant movement is represented by KPA and its allied 187 organisations in 16 provinces, and it endeavours to support smallholder peasant oil palm producers, as well as the rights of peasants to engage in mixed agro-forestry practices and retain or reclaim their autonomous control over land. The KPA strongly advocates for agrarian reform, is actively involved in supporting peasants who occupy land controlled by oil palm companies, as in the case of peasants in Jambi province who are presently occupying land held under a Sinar Mas concessions (Simonet, 2010), and is exploring ways in which community ownership of land dedicated to palm oil can be achieved (Arsyad 2010). The indigenous people movement, AMAN, also plays an important role in the rural resistance to the oil palm industry, and it collaborates with a number of local and international organisations in defence of customary land rights and the rights of oil palm farmers. Finally, another significant segment of the resistance linked to the oil palm sector is workers unions engaged in the struggles for labour reform and who seek to

[75] Borras and Franco (2009a, 28) define land sovereignty as "the right of people to have effective access to, control over and use of land and live on it as a resource and territory."

represent plantation workers in an effort to gain better wages, working conditions, and employee benefits.

Forest Peoples Programme (FPP) stands out as a key organisation that has worked in collaboration with a multitude of other local, national, and transnational organisations and movements in promoting the rights of Indigenous Peoples and smallholders affected by or involved in the oil palm industry in Indonesia. FPP has drawn attention to how the Indonesian government resorts to repressive laws and regulations that legitimate the use of violence in acquiring *uluyat* land from *adat* people and local communities, and how big oil palm companies try to benefit from these circumstances by conducting the same forcible and manipulative acquisitions (Colchester *et al.* 2006, 174-5). The organisation also note the processes and policies that have allowed for the allocation of HGU licenses for oil palm plantation development covering some 18 million hectares of forest area, yet less than seven million hectares have been developed to date, thus pointing to HGU licenses being issued for the purposes of accessing lucrative timber resources (Ibid., 29).[76] As a result, upland forest communities surrendered *uluyat* land without receiving the potential benefits of oil palm development, nor did they reap the benefits of the timber extraction either. Of central importance is the fact that during the Suharto regime, indigenous peoples were coerced to surrender customary land and were deceived into believing that the use would be temporary in nature. FPP asserts that no land has been

[76] The World Bank estimated that 40 percent of Indonesia's 'legal' timber came from land clearance for conversion to plantations which can yield profits of US$ 2,100 per hectare (c.f. Colchester *et al.* 2006, 29).

acquired by free, prior and informed consent (FPIC) as outlined in the RSPO principles, adding that communities today are more aware of their rights and are prepared to confront those who abuse them which is increasing the popular resistance to palm oil (Ibid., 182, 185).

Working in close proximity to FPP, the Indonesian-based Sawit Watch has played a central role in supporting indigenous people and peasant farmers engaged in the oil palm industry, and the organisation has worked actively in identifying areas of conflicts related to oil palm and how best to support communities affected by the expanding agricultural sector. Sawit Watch, first established in June 1998 to counter the adverse social and environmental effects of oil palm development, is currently monitoring 513 active conflicts occurring in over 1000 communities across the archipelago and which involve 135 companies from 23 groups of private and state-owned plantations (Marti 2008, 39).[77] Sawit Watch and other organisations have observed a sharp increase in the frequency and intensity of agrarian conflicts as a result of the current oil palm expansion.[78] Horizontal conflicts may arise within a community involving locals amongst themselves, locals and transmigrants, and locals with respect to their leadership (Colchester and Jiwan 2006, 6). In many instances, village and *adat* leaders act on behalf of oil palm companies and government agencies for personal or political gain where village consent for plantation

[77] See Appendix D Figures 6 and 7.
[78] The KPA reported that in the first four months of 2007, 13 conflicts, of which five were oil palm related, resulted in community members being arrested, shot, and in one case killed (Marti 2008, 39-40).

development is not given and where *plasma* plots are misallocated, unfairly distributed, or not given at all (Sirait 2009, 69). In addition, even though villagers may claim land based on their investment in labour (e.g. cleared forest land for future use or existing tree crops), the village heads retain significant scope to recognize or deny the community rights of villagers who can be dispossessed of their land if the former want to access the land for themselves, or to favour a party, or to sell it to a third party (Li 2007, 99). In addition, these conflicts meld in with points of tension between local communities on the one side, and industry representatives, government officials, and village leaders on the other, giving rise to vertical conflicts that include a horizontal dimension. The district level task forces (*TP3K*), which are funded by the oil palm companies and are setup to support the land acquisition process and to resolve conflicts related to land disputes and over-lapping claims, also remain a critical focus of conflict within a community (Sirait 2009, 28-29). That local government leaders (*kepala desa*), sub-leaders (*kepala dusun*), and *adat* leaders are included in the *TP3K* and are thus receiving financial compensation directly from the companies, is widely perceived as a blatant conflict of interest where village and *adat* institutions are co-opted by the industry. Moreover, the *TP3K* membership also includes the police, the military, company representatives, and high level officials such as the district governor (*bupati*) and the sub-district head (*camat*) which adds another element to the long-standing vertical conflict that exists between a community and the oil palm companies.

In the context where various government institutions operate primarily in support of oil palm plantation development with seemingly little regard for the interests and claims of local communities, there are significant vertical conflicts that arise that oftentimes can lead to acts of violence. First, the land allocated for oil palm plantations was done without proper consultation, no compensation was paid to locals for land, and the initial *PIR-TRANS* scheme was imposed on communities that had little opportunity to reject the initiative (Colchester 2005). Second, local communities were misled into believing the land transfer was temporary (i.e. – once the 25 year HGU expired, the land would revert back to the community, when in fact it returned to the State),[79] many smallholder plots were not allocated or properly developed, and for those who did receive *plasma* parcels, they were encumbered with unjustifiable debts through a development scheme with the state-run or private company that lacked transparency and accountability (Colchester *et al.* 2006, 15). Third, the companies operating the processing mills established the price of the FFBs under a monopsonistic system that favoured the company over the producers who were obligated to sell their fruit to the mill and who were subjected to a protracted list of costs deducted by the company through the farmer cooperative, the KUD. Fourth, the subsequent KKPA scheme was also plagued with issues of transparency and accountability whereby villagers had only limited control over the institutions and processes associated with the state-sanctioned cooperative that operated in a classic 'patron-client' fashion (McCarthy 2010, 838). The more recent *kemitraan* 'partnership'

[79] Government agencies duped community leaders by refering to a 'temporary' transfer of use rights which essentially resulted in the extinguishment of their rights in land (Colchester *et al.* 2006, 16).

schemes are also being promoted and developed against a background of existing land conflicts, and are fuelling new sites of social tension, disputes, and conflicts. The majority of the conflicts that stem from these and other issues related to oil palm development tend to follow a similar pattern. Villagers first complain to company and local government officials who fail to respond adequately to the villagers, which in turn leads to direct action such as the destroying or confiscating of company equipment, the occupying of base camps, and the blockading of roads to prevent access to the company mill. On many occasions, the conflict escalates into violence and human rights violations as the police and military, on hire by the company, intervene with the use of force (Marti 2008, 38). As noted by Tania Li, the "main change post-Suharto was not in the level of violence but in the openness, determination, and scope of land-reclaiming movements, and their relatively sympathetic coverage by the press" (2007, 265).

Despite the threat of intimidation, violence, and confrontations with the police, the Oil Palm Smallholders Union (*SPKS – Serikat Petani Kelapa Sawit*)[80] was founded in 2006 as the first independent smallholder association in Indonesia representing the interests of indigenous peoples, local communities, and other stakeholders in Jambi, Riau, East Kalimantan, and West Kalimantan (Colchester and Jiwan 2006, 14). The SPKS advocates smallholder rights and seeks to pressure the government into resolving

[80] The SPKS website identifies the union as a mass-based people's organisation representing oil palm farmers' struggle for independence in order that the industry be developed for the welfare and benefit of the people (SPKS, n.d.). See Sirait (2009) for detailed accounts of violence involving SPKS members.

outstanding land conflicts and improving transparency in the industry. Specifically, the organisation is asking important questions related to transparency and land in *plasma-inti* and KKPA schemes such as: what is the value of credits to date?; when will land be distributed to beneficiaries?; and which lands were taken without consent from original landowners? (Sirait 2009, 78). The biggest outstanding issue with the SPKS centers on the rights of a community to give or withhold consent to develop oil palm on *uluyat* land in the framework of FPIC in the RSPO criteria and standards. Though potential members receive threats to prevent them from joining RSPO, and existing members are intimidated and issued death threats for taking part in RSPO initiatives, the SPKS strives to establish the normative rights of oil palm smallholders, and it receives ongoing support from such organisations as Sawit Watch, FPP, AMAN, and WALHI among others. Another major issue of concern for SPKS is to have smallholders regain control over the company cooperatives, the KUD and the KKPA, in order to increase transparency in operations, to negotiate fair pricing for FFBs, and to improve the overall bargaining position of smallholders with respect to oil palm companies (Ibid, 79). At present, most oil palm farmer cooperatives are established and controlled by the companies that use the names of members to gain access to credit from national banks, while providing little, if any, documentation regarding the smallholders' terms of credit, their outstanding debt, and the various fees deducted from their harvest earnings. This lack of accountability and transparency leaves smallholders vulnerable to exploitation by the company, which oftentimes can lead to a permanent debt cycle that is difficult to exit (Colchester and

Jiwan 2006, 8). In addition, there are also distinct vulnerabilities that are characteristic of the oil palm industry in Indonesia which involve a specific segment of the worker population involved in this agricultural sector, and that is with respect to women which is the subject of the next section.

3.42 Gender Issues and the Oil Palm Sector in Indonesia

It is widely recognised that women play a central role in subsistence and cash crop agricultural production in developing countries, and in the case of oil palm plantations in Indonesia, women are assigned a particular division of labour that brings with it distinct gender-differentiated risks and working conditions. On plantations, as well as on smallholder plots, women are predominantly responsible for the mixing, handling, and spraying of herbicides and pesticides, in addition to the application of fertilizers, all of which present significant reproductive hazards and long-term health risks for women (Wakker 2005, 24-25).[81] The effects of these toxic products are further amplified by the lack of protective clothing or health and safety training that is generally called for with this type of hazardous work. Women tend to receive lower wages than their male counterparts because their work is considered to be 'easier', and also because their work generally does not involve bonus systems of payment, as is the case with men whose salary is based on the weight of oil palm fruit harvested with additional bonuses once a

[81] A common weed killer that is used in the oil palm industry is paraquat, which is considered to be highly toxic and is banned in a number of European countries (Wakker 2005, 25).

minimum quota is reached (Marti 2008, 83). In addition, plantation foremen may prefer to hire women as casual labour, not only because of their lower wages (Rossi and Lambrau 2008, 14), but also in order to avoid the additional costs of menstrual leave time associated with full-time workers.[82] It is common knowledge, as well, that many women (and children) enter the workforce on plantations as unpaid labour to help their husbands reach their harvest quotas without benefitting from tangible remuneration for their work (Wakker 2005, 11). In the context of corporate oil palm plantations and contract farming schemes, women in fact occupy a particular class of plantation labour, that also includes working on subsistence plots to sustain the family, which can be viewed as a form of 'feminisation of agriculture' (Julia and White 2009, 15).

Equally important to the position of women within this particular division of labour, is the impact of the plantation economy on the traditional gender gaps in land ownership in terms of their position in society, their livelihoods approaches, and their rights within a rural community. When considering land acquisition processes involved to establish a plantation on land that is typically held and accessed under customary tenure, it becomes readily apparent that the development of oil palm plantations largely serve to extend the patriarchal system of the state (Ibid.). The plantation company engages exclusively with the male leaders to negotiate the terms of development and of participation and smallholder parcels are registered only under the head of the household resulting in a

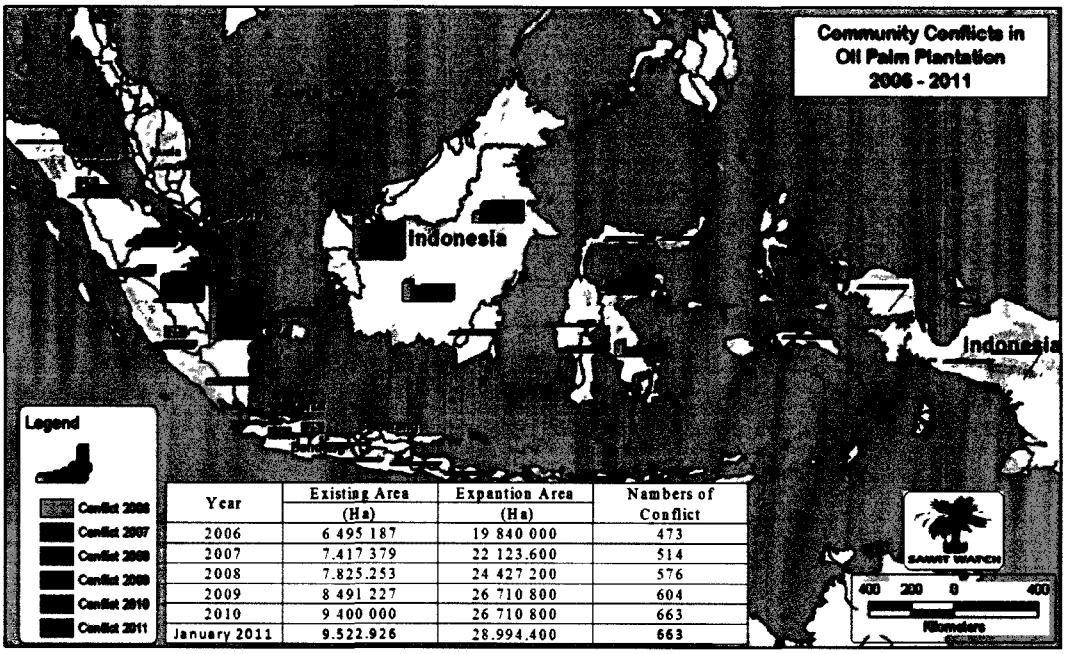
[82] This may be less of determining factor given that in March 2003, the law allowing women a menstrual leave of two days per month was abolished in Indonesia (Wakker 2005, 51).

gender-biased narrowing of land tenure access. In the case of a Hibun Dayak community in West Kalimantan, Julia and White (2009, 9) note how the change of ownership form collective to state-codified individual forms reflects a gender blindness and a loss of women's rights in villages where women traditionally had rights of access to land even though they lacked access to communal formal politics. As a result of the formalisation of land ownership inherent in large-scale oil palm production that favours men over women, the livelihoods of the latter are undermined and rendered more precarious in the short and long term. Moreover, the process of land concentration and the expansion of a plantation monoculture onto 'marginal lands' further erodes the livelihoods of women who no longer have access to traditional a traditional sources of food, fodder, and fuel wood typically collected from these lands (Eide 2009, 18). As the expansion of oil palm progresses, women are thus required to increasingly seek out work as casual plantation labour and to find alternatives means to secure a livelihood under conditions of greatly reduced access to resources. When examining the details of the case study that follows, it will be important to keep in mind how the women in Kuala Buayan district are being impacted by the growing oil palm industry and what are the implications for their livelihoods in the future as the monoculture cash crop irreversibly transforms traditional agricultural practices and the social relations to land.

Chapter 4: Oil Palm in Sanggau District, West Kalimantan – Case Study

As the westernmost province of the Indonesian Borneo, West Kalimantan covers an area of 14 million hectares of which nine million hectares (64 percent) are classified as National Forest (Sirait 2009, 10). Its involvement in large-scale oil palm production dates back to the early 1980s, and according to the current executive director of Sawit Watch, Abetnego Tarigan (2010), West Kalimantan has the second highest level of oil palm related conflicts in the country after South Sumatra (see Figure 6). To date, the province has issued temporary oil palm location permits (*Ijin Lokasi*) covering an area of 4.2 million hectares[83], and though only some 400,000 hectares have been cleared and are planted with oil palm, the province is expecting to expand its current plantation area by more than 5 million hectares over the next decade (White and Julie 2009, 2). This projected expansion is the largest than any other province in Indonesia, followed by the provinces of Riau and Papua with an anticipated expansion of three million hectares respectively over the same period (see Table 6). The provincial government has thus targeted so-called 'non-productive' or 'bare' lands for its oil palm plantation expansion which typically includes designated forest areas, as well as smallholder agricultural lands that lack official title.

[83] As noted earlier, many companies obtained land use permits solely for the purpose of extracting lucrative timber resources and had no intention of ever developing an oil palm plantation (Marti 2008, 36).



Year	Existing Area (Ha)	Expantion Area (Ha)	Nambers of Conflict
2006	6 495 187	19 840 000	473
2007	7.417 379	22 123.600	514
2008	7.825.253	24 427 200	576
2009	8 491 227	26 710 800	604
2010	9 400 000	26 710 800	663
January 2011	9.522.926	28.994.400	663

Figure 6: Oil Palm Conflicts across Indonesia, 2006-2011.
Note. Reproduced with permission from Abetnego Tarigan, Director General of Sawit Watch , Indonesia.

More than half of West Kalimantan's population of 4 million lives in rural areas, and with a majority engaged in small-scale agricultural production, its economy is based on a variety of agricultural food crops, with oil palm playing an important role in its regional development plans. Presently, the expansion of oil palm plantations is occurring across a diverse socio-economic and politico-cultural landscape that has historically involved competing and conflicting claims over land and productive resources.

Prior to the arrival of oil palm in the 1980s, all upland groups farmed rice on a swidden basis and smallholding rubber gardens were the main source of cash, with the rubber

Table 6: Oil Palm Plantations in Indonesia and Government Expansion Plans for 2020

Island	Province	Current Plantation Area in 2006 (Hectares)	Planned Plantation Expansion for 2020 (Hectares)
Sumatra	Aceh	222,389	340,000
	North Sumatra	1,093,033	1,000,000
	West Sumatra	489,000	500,000
	Riau	1,486,989	3,000,000
	Jambi	350,000	1,000,000
	South Sumatra	416,000	1,000,000
	Bangka Belitung	112,762	
	Bengkulu	81,532	500,000
	Lampung	145,619	500,000
Java	West Java	3,747	
	Banten	17,375	
Kalimantan	West Kalimantan	349,101	5,000,000
	Central Kalimantan	583,000	1,000,000
	South Kalimantan	391,671	500,000
	East Kalimantan	303,040	1,000,000
Sulawesi	Central Sulawesi	43,032	500,000
	South Sulawesi	72,133	500,000
	Southeast Sulawesi	3,602	500,000
Papua	Papua	40,889	3,000,000
Total		**6,059,441**	**19,840,000**[84]

Note. Adapted from *Promised Land. Palm Oil Acquisition in Indonesia: Implications for Local Communities and Indigenous Peoples,* by Marcus Colchester *et al.,*England: Forest Peoples Programme and West Java, Indonesia: Sawit Watch, 2006, p. 26.

system being prone to accumulation and monopoly by rubber traders (*tokay*) who were mostly Chinese in the past, but today include growing numbers of Dayak (Li 2010b). Thus, earlier village economies based on the rubber trade witnessed *tokays* playing a critical role as sources of credit and goods, but also as a potential source of conflict given

[84] As of January 2011, the existing oil palm as was noted as being 9,522,926 hectares with a projected expansion area of 28,994,400 by 2020 (Tarigan 2010).

the monopoly exerted by the *tokays*. As rubber prices declined in the 1960s and '70s, various oil palm schemes were implemented that give rise to conflicts, not only between transmigrants and local residents, but also within local communities, as well as between the latter and representatives of the government and the oil palm companies who were driving the development projects. The major ethnic groups, comprised of Dayak (33.8 percent), Melayu (33.8 percent), Chinese (10 percent), Madurese (3.5 percent), Bugis (3.3 percent), and a mix of others (15.7 percent) (Sirait 2009, 13) which included transmigrants primarily from Java, Bali, Nusa Tengarra Timur (NTT), and Sumatra, have thus experienced conflict in various forms, related either to oil palm development or to other outstanding sources of tension. Historically, the western districts of West Kalimantan have witnessed acute racialised social tension and violence, be it the more recent communal violence between Dayaks and Madurese in 1996-97, or the state-sponsored violence against the Chinese by Dayaks, Madurese, and Melayu in 1967-8 that left tens of thousands of Chinese permanently evicted from their homes (Peluso 2008, 48).[85] Though somewhat muted today, the undercurrents of these earlier conflicts resonate to this day and meld with the present-day tensions and conflicts linked to the expanding oil palm sector in Sanggau District, West Kalimantan.

[85] In the 1996-97 conflict between Dayaks and Madurese, many Dayaks lost their lives and property, though most of the victims were Madurese. Human Rights Watch (1997) reported that some 25,000 Madurese were displaced, and further violence and evictions two years later prevented most of them from returning to live in the West Kalimantan's rural areas. See Peluso (2008) for a political ecology analysis that examines the processes by which ethnic categories are constructed through violence.

Sanggau District, as one of eight districts in the province, is set to become the centre of agribusiness and agro-industry given its strategic location of having direct access to transportation networks linking it by road to Malaysia and wider international markets, or by water through the port capital city of Pontianak (Colchester et al, 2006: 93-94). The district has the largest extent of oil palm plantations in West Kalimantan, and since 2002, it has granted 12 new concessions of up to 20,000 hectares each under various *kemitraan* schemes (Zen *et al.* 2008, 2). Through the decentralisation process initiated in 2000, Sanggau District retains authority over extensive land banks and now controls the process of land acquisition for oil palm plantation, which it aims to make 'faster, cheaper, and easier' in order to attract local, national, and international investors. As a result, local government officials, party elites, and entrepreneurial allies are able to take advantage of easily accessible plantation permits, can accrue large profits from selling the timber obtained through forest conversion, and finally sell the plantation permits to national or foreign oil palm conglomerates (Sirait 2009, 6-7). The district's overall development strategy is, therefore, to expand and diversify oil palm plantations and other commodities such as cocoa, pepper, and coconuts (see Table 7), as well as withdrawing inactive location permits, and converting forest areas into agricultural land for plantation development (Colchester *et al.* 2006, 95). The district government deemed plantations, not only a crucial means of improving the welfare of its constituents, of which over 80 percent are involved in agriculture (BPS 2008, 58), but also as a key to generating district revenue. As of 2010, Sanggau District has 41,688 hectares of oil palm plantation under

foreign private control (PMA), 38,112 hectares under domestic private control (PBSN), and 32,622 hectares classified as state-owned (PTP) for a total of 122,422 hectares of which 50,506 hectares (41 percent) are under plasma smallholdings (BPS 2010) (see Table 8). And of the 15 sub-districts (*kecamatan*) within the Sanggau regency, Meliau has the most area dedicated to oil palm plantations (41,862 hectares) (BPS 2009a) and it is the site for the field research that was undertaken by our team in June 2010.

Table 7: Agricultural Crops, Land Use, Households, and Output in Sanggau (2009)

Crop	Hectares	Farmer Households	Output (tonnes)
Palm Oil	150,450	35,510	1,150,452
Rubber	101,066	48,668	49,668
Cacao	4,154	915	681
Pepper	4,154	664	466
Coffee	260	1,402	92
Coconut	779	4,777	349

Note. Adapted from *Statistik Perkebunana Kapubaten Sanggau Menurut Kecamatan Tahun 2006-2009,* Biro Pusat Statistik, Sanggau 78512, 2010.

Table 8: Oil Palm Land Use and Ownership in Sanggau, West Kalimantan (2006-2010)

Year	*Inti Plasma*	Foreign Private (Hectares)	Domestic Private (Hectares)	State (Hectares)	Total (Hectares)
2006	*Inti*	15 384	9 635	33 283	58 302
	Plasma	22 309	31 379	20 826	74 514
2007	*Inti*	n. a.	n. a.	n. a.	n. a.
	Plasma	n. a.	n. a.	n. a.	n. a.
2008	*Inti*	15 300	19 466	26 429	61 195
	Plasma	22 109	33 833	21 312	77 254
2009	*Inti*	13 813	15 850	n. a.	n. a.
	Plasma	18 562	11 030	n. a.	n. a.
2010	*Inti*	19 596	25 696	26 624	71 916
	Plasma	22 092	12 416	15 998	50 506

Note. Adapted from *Statistik Perkebunana Kapubaten Sanggau Menurut Kecamatan Tahun 2010: Daftar Luas Areal Dan ProduksiKelapa Sawit,* Biro Pusat Statistik, Sanggau 78512, 2010.

4.1 Field Research Site in the Subdistrict of Meliau

The sub-district of Meliau covers an area of 149,574 hectares, has a total population of 41,793 inhabitants that make up its 11,384 families dispersed throughout the 18 villages (*desas*) located on either side of the Kapuas River and which fall under its jurisdiction (BPS 2009b). Each *desa* is divided into varying numbers of residential areas, *Rukun Warga* (*RW*), which are further sub-divided into neigbourhoods, *Rukun Tetangga* (*RT*), comprised of locally residing families, *Kepala Keluarga* (*KK*). This system of governance was introduced during the New Order regime under the 1979 Village Act which imposed a Javanese model of governance that overrode existing customary

systems of organisation as a means of asserting centralised control over the area and to undermine *adat* claims over land and resources. Each respective level of governance had a corresponding head that reported back along a distinct chain of authority leading up to the sub-district head (*Camat*) located in the capital of Meliau, who in turn reported to the regent/governor (*Bupati*) in the city of Sanggau. Local governance laws have since been introduced during the *Reformasi* period that have made some allowances for village indigenous institutions to be re-instated (Sirait 2009, 39), though in practical terms, the existing Javanese model remains the seat of administrative and executive authority. The town of Meliau and its surrounding area has a total population of over 10,000 people, and the main oil palm processing plant for the state-owned plantation is located on the outskirts of town in Meliau Hulu.

As noted in the first chapter, our field research was undertaken in twenty sites in the sub-district of Meliau across five villages (*desas*) located on either side of the Kapuas River. It involved gathering information through participatory observation and through formal and informal interviews while living with local families for a duration of one month. Local livelihoods within the research site ranged from complete dependence on oil palm, to mixed economies of oil palm and rubber, and in the more remote upriver areas, mixed economies based on rubber and rice only with no income being generated from oil palm. As of 2009, Meliau had 41,862 hectares dedicated to oil palm concessions (BPS 2010). The *desas* in question are Melobok, Kuala Buayan, Bakhti Jaya, Sei Kembayau, and

Pampang Dua which are located in enclaves within large state- or private-owned oil palm concessions (see Figure 7). Desa Melobok was situated north of the Kapuas River where the large state-owned plantation PTPN XIII (*Perusahan Terbatas Perkebunan Nusantara XIII*) has been in operation since 1979. The four other *desas* were located south of the Kapuas River in an oil palm concession area that was awarded to a domestic private plantation company, BHD (*Bintang Harapan Desa*), in 1990. I stayed with a family of oil palm smallholders living in Cempaka, RT 5, in *desa* Kuala Buayan on the south side of the Kapuas River. Each research site had unique and parallel issues linked to land involving, for example, dispossession, alienation, allocation, and accumulation, as well as issues associated with labour, as in the case of the distribution of oil palm profits, distinct labour regimes, and adverse incorporation into the oil palm sector. In the section below, an overview of these and other issues will be reviewed across the research site as revealed by the field data, which will then be followed by an analysis of the this data in relation to the analytical framework outlined in the second chapter.

Figure 7: Oil Palm Concessions in Subdistrict Meliau, district of Sanggau. Courtesy of Pak Kacuk Fitrianto from the Dinas Kehutanan Dan Perkebunan Kabupaten Office in Sanggau, 14 July, 2010. Note: the Melaboh area is under the control of the state-owned PTPN XIII.

4.2 The State-owned Plantation PTPN XIII in Melobok north of the Kapuas River

Since the 1920s, the Dutch company Agris controlled and operated approximately 500 hectares of rubber plantations on each side of the Kapuas River, and it imported primarily Javanese workers to supply the labour force on its estates. Much of its rubber concession

area was not planted, however, and local forest dwellers continued to use the land for various mixed agroforestry that also included local rubber gardens. In 1959, the plantation was nationalised and managed under private Indonesian ownership until 1979, at which time rubber prices had sharply declined and oil palm was being developed as an alternative plantation crop. The Sei Dekan site in Melobok was incorporated into the national plantation system as PTPN VII and was later expanded to 5,626 hectares and renamed PTPN XIII which currently has a total concession area of 32,380 hectares in Sanggau district alone (BPS 2010).[86] PTPN XIII is one of the oldest plantations in the district and was one of the country's first Nucleus-Estate Smallholder (NES) schemes that adopted a PIR-TRANS model which involved a redesigning of the physical landscape and a social transformation through the introduction of large numbers of transmigrant labour. Presently, the state plantation has entered a replanting cycle now that the original palm trees have reached their peak after more than 25 years of producing fresh fruit bunches (FFBs). This process requires injecting the palm trees with a poison that will slowly kill them, while new seedlings, which are imported from the state plantation system in Sumatra, are planted alongside the dying ones.

When the PIR-TRANS plantation project was first introduced in the area in the late 1970s, government officials, parastatal companies, and the military relied on intimidation

[86] PTPN XIII is a merged company that has consolidated and re-structured previously separate para-statal plantation companies into a single state-owned company. In 1999, it controlled an area of 149,429 hectares in Kalimantan with an estimated value of IDR 100 billion (approx. US $ 11 million) (Colchester *et al. 2006*, 161).

tactics, coercion, and force in order to accelerate the appropriation of *adat* land from existing indigenous communities. The 'socialisation' process generally involved members of the military threatening to accuse community members of being affiliated with the banned Indonesian Communist Party (PKI) should they consider resisting the development project. In addition, village leaders who were coerced into signing 'agreements' were illiterate, didn't understand the terms of the scheme, and were led to believe that the land transfer was temporary when in fact it was permanent. Pak Donatus Djaman, who was *Camat* of Meliau in 1978, admitted that it was difficult, and even dangerous, to resist transmigration initiatives related to oil palm development because false accusations could readily made with the most serious of consequences.[87] He noted that before oil palm, *hak uluyat* was recognised, and government officials would meet with local people to get permission to build roads, as was the case, for example, with the road from Bodok to Meliau that did not involve any compensation and was undertaken by mutual agreement. Once oil palm came to the district, he added, the land now became 'State' land, and the local people started thinking more about compensation and about private land claims. In the case of the PTPN XIII PIR-TRANS scheme, the local population did receive compensation for rubber gardens and fruit tress, though not for the land itself. Pak Willem Amat, a customary chief of the Pompang Dayak, stated that when the company finally did put forward a settlement for land, the money did not end up with

[87] See 'Dayak Leaders' Memories and Dreams' by Colchester (2005) on oil palm development in West Kalimantan.

the local people but went instead to outsiders.[88] Having realised that the Dayak were being treated as a labour force and not as landowners, and he tried to reject the scheme, which resulted in accusations and formal charges of being a subversive working for the PKI and fighting for Dayak independence. Though Pak Willem and his co-accused were eventually acquitted, initial promises of employment, training, and plasma holdings have yet to be fulfilled in a large number of cases where *adat* land was surrendered to plantation development schemes.

The PTPN XIII plantation in Sei Dekan, Melobok has been in a long-standing conflict with the local population for land acquisition and compensation that dates back to the initial PIR-TRANS scheme of 1979, and also includes the more recent KKPA schemes that were introduced following intense protests in the late 1990s. The villagers, who had witnessed their rubber trees and fields bulldozed by the state-owned company while the army stifled any attempts at resistance, and who had ultimately been forced to move off their land to make way for transmigrants engaged in *inti-plasma* oil palm projects, reached a critical stage and culminated in the November 3rd Declaration of 1999.[89] The local population tended to view the transmigrants (mostly Javanese) as colonisers who were prospering from the land that was taken from them; therefore, in early 1999, more than 1,000 protesters blockaded the main *Afdeling* road, as well as the road to the factory, and issued a list of demands under threat of violence. The conflict between the Dayak

[88] See footnote 81.
[89] This section is based on an interview with researcher Ali from UGM who was based in Dekan Putih.

and the Madurese referred to earlier, and which had taken place primarily in Bodok and Ensunak in 1997, remained vivid in the minds of the Dayak in Dekan Putih, and the plantation managers (mostly Muslims and migrants) were intimidated into making concessions. The demands centered on granting *plasma* land for locals, obtaining employment on *inti* lands, and receiving compensation of money and rice to account for plantation earnings over the past 19 years on *adat* land. The company responded by offering a short-term compensation for families (IDR 250,000[90] for 3 months, though an entire year had been expected), by allocating employment opportunities on the state for designated individuals, and devising a new *plasma* scheme, KKPA, as a company-controlled credit cooperative that would enable smallholders to take part in oil palm production. The scheme required that each household release an additional 2 hectares of land to the company that would in turn act a credit broker for the smallholder and provide the inputs and expertise needed to covert the plot into a productive parcel of land. *Plasma* holders would be responsible for all the expenses associated with the plot, in addition to a share of infrastructure and transportation costs and the like, and repayment would start in the fifth year once the trees had started to bear fruit. The KKPA scheme and the larger November Declaration, however, was fraught with irregularities from the beginning, and have further compounded outstanding points of conflict and tension that stand between the local community of Dekan Putih and PTPN XIII.

[90] In 2010 exchange rates, US$1 is equivalent to 8,930.00 Indonesian Rupiahs (IDR) according to the Universal Currency Convertor at www.xe.com.

Discord originated on a number of fronts in relation to the KKPA scheme and in reference to the promises of employment initially made by PTPN managers. To begin with, there were extensive delays in the development of *plasma* plots that eventually led some KKPA participants to sell their plot to third parties, who came to accumulate considerable holdings only to have these sales rendered invalid by the *desa* authorities and the PTPN once the plots came into production (Li 2010b). Moreover, there was some manipulation of the list of names of entitled participants, whereby some who genuinely were entitled to *plasma* did not receive them, while others who were not entitled, including some government officials, received KKPA plots. In some cases, families in positions of authority, such as the *adat* village leader, received three or even four *plasma* plots of two hectares each (*kaplings*).[91] The influence of social class and power also came into play when employment opportunities were granted along lines that left some 'connected' families having two or more sons employed on the estate, while others had none.[92] In addition, the KKPA repayment scheme lacked transparency from the beginning, and smallholder farmers have seen the percentage of their harvest allocated to debt repayment go from 10 percent in 2005, to 30 percent in 2009 without any documentation from the company-run cooperative that outlines credits, deductions, and balances. This has incited some smallholders to band together and deliver an ultimatum to the company that if no documentation is forthcoming by the summer, a

[91] A *kapling* is used to designate a two hectare parcel that has been planted with oil palm. Each *kapling* is required to have a minimum of 240 trees in order to meet the fruit (FFBs) capacity of the plot.
[92] According to researcher Ali, there is much resentment in the village over the favoratism that was bestowed upon certain individuals. The resulting conflict is thus both horizontal and vertical in nature.

blockade will be put into effect. The monopsonitic trade agreement that forces producers to sell to PTPN XIII exclusively is also a source of conflict, and especially so when the company makes use of the mobile police brigade (BRIMOP) to prevent smallholders from to selling their fruit to a third party buyer.

Now, more than ten years later, Sei Dekan households with KKPA claims have yet to be settled, and as these and other outstanding issues remain unresolved, tension amplifies as PTPN XIII expands into new areas for oil palm development. The state-owned company is presently acquiring land in other villages to increase its KKPA area, not only to satisfy open *plasma* claims, but also in anticipation of greater demand from oil palm that is linked to its plans to double the processing capacity of its factory at PTPN Gunung Mas (Li 2010b). An outstanding critical point of contention between Sei Dekan and PTPN XIII centers on the issue of its HGU license that was granted in 1979 once the Agris rubber plantation was taken over. According to the villagers, 25 years have now passed, the license is over and the land should be returned to Sei Dekan. The PTPN counters that it only received its HGU in 1985 and that it was for a duration of 35 years. This leads to a reply by the villagers that the company then owes the village the oil palm earnings that were acquired between 1979 and 1985 because according to PTPN XIII, the land was not under company control during that time. That the oil palm company extends its holdings by cutting down trees all the way down to the river bank contrary to erosion policies set forth by the government, does not go unnoticed either and is criticised by locals on both

sides of the river who have traditionally used for swidden agriculture. And for the residents living in Kuala Buayan across the river from the large state-run plantation, outstanding land claims are also pending for the families that had agricultural fields (*ladang*) taken over by PTPN XIII over 20 years ago. According to the village head (*kades*) for Kuala Buayan, of the 91 families that have a KKPA land claim, only 15 have settled to date. To these claims, can be added the issues and claims that involve the private oil palm concession on the south side of the Kapuas River that is run by BHD and is at the center of conflict and disputes in the four other *desas* within our research site.

4.3 The BHD Oil Palm Concession south of the Kapuas River

When the formerly Dutch-owned Agris rubber plantation was nationalized in 1959, the locals of Kuala Buayan and other neigbouring *desas* repossessed the land, took control of the rubber gardens, and planted new trees to expand the smallholder rubber production in the area. In the late 1980s, a private national company by the name of *Bintang Harapan Desa* (BHD) was granted a 20,000 hectare oil palm plantation concession in the area, in addition to concessions awarded to its subsidiary companies, *Duta Surya Pratama* (DSP) and *Sawit Desa Kapuas* (SDK), which received 22,500 hectares and 20,000 hectares respectively (Fitrianto, 2010).[93] As is the case with all oil palm concessions, certain areas are deemed enclave land that include private houses, government buildings and the land associated with these and other structures (i.e. vegetable gardens, school yards, etc.), in

[93] See Appendix B, Figure 4.

addition to the roads outside of and within plantation concessions, all of which are excluded from the effective area dedicated to oil palm production. As a result, according to BHD officials, the company retains approximately 2,000 hectares as *inti* and 8,000 hectares as *plasma* that was developed according to a PIR-BUN-TRANS scheme along a 7.5:2.5 ratio. Under this model, local landowners would surrender 7.5 hectares of land which would then be apportioned as follows: 2.5 hectares would be allocated to *inti,* roads, public facilities, and the company office and mill; 2.5 hectares would be given to transmigrants from Java, NTT, and NTB (*Nusa Tengarra Barat*)[94] that comprised a two-hectare *kapling* and a half-hectare house lot (*pekarangan);* and a 2.5 hectare parcel returned to the original owner on the same basis as with the transmigrants (Li 2010b). This oil palm development scheme thus involved a complete redesign of the physical landscape, and it aimed to transform existing social, economic, and political systems by importing new people who were to show the locals better ways of farming and living. The PIR-BUN-TRANS development scheme, however, was riddled with problems and irregularities from the outset which have led to uneven outcomes and continue to be a source of conflict to this day.

To begin with, the processes by which many local villagers were alienated from their land remains a divisive issue that has yet to be fully resolved. Though in theory locals could accept or reject the oil palm scheme, in practice, many faced intimidation by BHD

[94] NTT and NTB refer to the East and West sections of the island of *Nusa Tengarra,* respectively.

representatives, and government and local officials, and they confronted mechanisms of the state that were difficult to oppose. According to the company, much of the land it acquired was in fact state land (*tanah Negara*), therefore the HGU is received from Jakarta provided it with effective control over the land and the rights to develop it. The locals who rejected the scheme, in contrast, claimed that much of the land was already planted with rubber and was managed by smallholders who did not consent to the oil palm plantation scheme as required by the 'socialisation' process outlined by the government, and also did not receive proper compensation for their trees (Pak Bimo* 2010).[95] Moreover, a method of deception was also used when participants signed an attendance form at an information meeting that was held in the early 1990s, only to have their signatures attached to a document that attested to their having consented to surrendering their land to BHD. The locals who refused to have their rubber gardens destroyed and who attempted to resist the oil palm expansion, also received no support from the governing head of the *desa* (*kepala desa*) at the time. It was commonly known that the *kepala desa* was receiving IDR 500,000 per month from BHD, and witnesses had reported seeing him riding at night on the company bulldozer to mark out which land was to be cleared (Ibid.). Also, a suspicious fire that burned down much of the rubber trees in 1990 added further doubts as to the legitimacy and fairness of the development project, and by 1993, the company had essentially cut down all the remaining rubber trees on the

[95] Informants with an '*' refer to a pseudonym that is used to keep their identity confidential. In this instance, Pak Bimo* estimated that only about ten percent of the villagers were compensated for their rubber trees.

disputed land. After years of protests, BHD eventually paid off a number of claimants in 2006 through a settlement of IDR 1.5 million (approximately US$ 168) for each of the 77 households which had outstanding claims (Li 2010c). The households had asked for compensation in the form of *kaplings,* and though some did receive a two-hectare plot, the company did not have enough to redistribute and negotiated for a cash pay out with the remaining 77 families. BHD is also currently in negotiations with the present local government office for state land that had been illegitimately awarded to its company by the former *kepala desa*, in addition to the major outstanding claims associated with the allocation of land under the designated oil palm scheme.

The PIR-BUN-TRANS process of land reallocation that involved removing land from a customary system of ownership and transferring it to transmigrants and others under an *inti-plasma* plantation corporation model was inherently prone to misallocation through several mechanisms. To begin with, BHD resorted to a "global system" of redistribution through the *dusun,* who was then responsible to allocate house lots and *kaplings* to respective households in accordance with the amount of land they had surrendered to the scheme. A major problem, however, was that some households gave up less than 7.5 hectares, while others gave up more, and as the sole keeper of records,[96] the *dusun* is thought of having either allocated land to family members who had not contributed to the

[96] According to the current *kepala desa* (*kades*) in Kuala Buayan, these records have been destroyed from the archives by the *kades*. He estimates that about 20 percent did not receive their *kaplings* and that 50 percent of the familes are landless (Li 2010c).

scheme, and/or sold land to outsiders which has left legitimate contributors without their entitlement (Li 2010b). For BHD, the allocation period is officially over, though many villagers are still reclaiming their owed *kaplings*. A second problem is related to the uneven quality, location, and stage of development of the *kaplings* themselves. Prime *plasma* plots are fully planted, have been properly fertilized, and are close to the main roads, while sub-standard ones have been poorly maintained, are far removed from the main transportation networks, and have less than the required 240 to 260 palm trees (many have only 100 trees)[97] to be fully productive (Li 2010c). Under the skewed system of land allocation, the prime plots are already accounted for, while only substandard ones remain; BHD acknowledges that it currently has 700 *kaplings* to hand over, yet local villagers refuse to accept them given that they will be expected to assume the full debt associated with the parcel. And finally, the confusion created by the transmigration program itself gave rise to opportunities for land accumulation and misallocations of land. As transmigrants moved in and out of the area during the PIR-BUN-TRANS period, *plasma* plots were bought and sold contrary to the development scheme regulations that stipulated that name changes on land certificates could not occur in the first 15 years. In some cases, locals simply resumed control over parcels that had been allocated to transmigrants who left the area (or never arrived), while in other cases, the transmigrants who stayed on bought or occupied 'vacant' parcels which played into the

[97] Quality oil palm seedlings are worth between IDR 25,000 to 30,000, and a large number have been stolen from *kaplings* in the early stages of *inti-plasma* development which has resulted in many substandard plots with only marginal production of oil palm.

uneven accumulation of land that was associated with the scheme. As will be outlined below, the transmigration scheme in this area failed on number of fronts, was rejected outright by many local communities, and became a source of much confusion regarding existing landholdings as noted in the candidate registries (*capes - calon peserta*).

As originally conceived, the PIR-BUN-TRANS model was intended to replace existing systems with new ones along the lines of new *desas* with mixed populations that were to be led by more professional leadership, though it fell short of achieving its goals as a major social transformation project for a host of reasons. Under the development scheme, existing farms, settlements, and road networks were to be replaced by new ones laid out on a grid, and local economic systems based on labour exchange (*royong*) and the *tokay* system of trade and credit, were to be replaced by an *inti-plasma* production model that was regulated by the KUD. The scheme called for the formation of nine newly constructed residential units (SP- *satuan pemukiman*) made up of 250 transmigrant households and 250 local participants (*APTD*), all engaged in smallholder oil palm production destined for the *BHD* mill in Kuala Buayan. Of the nine SPs, however, three rejected the transmigrant scheme altogether (SP VII, VIII, and IX), and of the remaining residential units, only a fraction of the transmigrants stayed on, while the majority of the local APDT never took up residence in the new site or remained for a short stay before returning to their original hamlets (Li 2010b). One important reason that led to the out-migration of the transmigrants was that the *kaplings* had not yet been planted as

promised, and they lacked the resources needed to wait out five years for the plots to come into production. There were some transmigrants that also had no intention of staying, had already sold the equipment and goods provided by the program before leaving Java, and had only registered in the program to realize a profit. It is also possible, that upon returning to Java, these 'candidates' simply reregistered for transmigration to repeat the cycle elsewhere (Ibid.). Certainly, an important factor that may have also led many transmigrants to abandon the PIR-BUN-TRANS scheme was the hostility directed to them from the local villagers who largely resented having their land allocated to outsiders, and also for only being allocated an equal parcel of land, despite having originally contributed their own land to the *inti-plasma* scheme. When transmigrants made the decision to leave the area, they were oftentimes prevented from selling their *kaplings* to other transmigrants, and sold them instead to locals. SP II, which became the *desa* of Bhakti Jaya, stands out as an exception to the transmigration program having retained 258 transmigrant households from the original 500, whereby some households have up to ten oil palm *kaplings* accumulated since their arrival in the early 1990s. The PIR-BUN-TRANS model has thus made possible, for a variety of reasons, patterns of land accumulation that reflect more the dynamic nature of land relations, rather than the development assumption that the scheme will create stable smallholder oil palm producers who will have equal allocations of land (Li 2010b).

The accumulation of land throughout the PIR-BUN-TRANS oil palm scheme that took place amidst much confusion and complexity, nonetheless, continues to play a critical role in shaping current patterns of land accumulation, and also in determining patterns of conflict and resistance tied to land. During the period of high mobility among transmigrants, and in particular before 1997 when oil palm prices were low, defacto transfers of land occurred that allowed transmigrants, local villagers, government officials and plantation workers to purchase *kaplings* for between IDR 500,000 to IDR 1.5 million, which at current market prices, sell for IDR 60 million in the case of prime *plasma* land. Though the defacto land owners lack official title to the parcel, the *kapling* remains a productive parcel of land that generates important revenue to accumulate additional parcels, to increase consumption, or to simply sell on the market. However, having access to official land titles does remain a valuable asset, because unless the name on the land certificate matches the 'owner's' name on the citizenship registration card (KTP), no credit is available through the bank. It is also important to note that in the case of smallholders who actually retain legitimate title of their *kapling*, a particular feature of the PIR-BUN-TRANS scheme poses an important hurdle that prevents or delays their access to credit. The model organises smallholders into groups of about 30 producers in a single block (*amparan*), and until every farmer has paid off the debt owing on his *kapling*, the entire group is denied access to credit, which, can prevent smallholders from expanding their holdings indefinitely. As the current blockades in Meliau Hulu (PTPN

XIII) and in Singuan Daok (BHD)[98] attest, the pressures linked to plantation expansion and land accumulation are further enflaming tensions between villagers and oil palm companies over *plasma* allocations, and the concentration of land holdings in the area, in general, have occurred through a variety of means and mechanisms.

Though it may be difficult to clearly determine the means by which land was accumulated in the past and how it continues to be accumulated in the present, there are a number of observations that can be made based on interviews with local villagers and *desa* officials. Pak Nurman*, a major landowner in the area, who also acts as the treasurer for the KUD associated with the PTPN XIII KKPA schemes and is quietly dubbed the new *tokay* in oil palm, inherited an undisclosed amount of land from his father and has in the past sold parcels of land to local villagers in the form of cleared or uncleared forest land, as well as rubber gardens (Pak Juni* 2010). Most of his available land today, however, is being sold as partially or fully developed *kaplings* or as productive rubber gardens that could eventually be converted to oil palm for smallholders interested in private oil palm production. It is interesting to note that though the BHD has approached Pak Nurman* (and other landowners) to purchase existing rubber gardens for *plasma* development, landowners are refusing to sell to the company opting instead to

[98] According to the *kades* of Kuala Buayan, the month-long blockade is currently at a standoff. The fifteen people who were taken to court and fined for the blockade have since refused to pay the fine, and when the police came to arrest them, the villagers prevented the arrest from taking place.

reap the benefits of rubber production[99] with the intention of engaging in private oil palm production in the future that will avoid *plasma* credit schemes (Pak Bimo* 2010). Another major landowner from Meliau, Pak Surip*, who claims to have more than 200 hectares of land, has also accumulated large tracts of land in the area, though there is considerable debate regarding the legitimacy of some of these acquisitions. In one instance, he is reported to have borrowed land from locals to pasture his cattle (a common practice in customary holdings), only to later claim official title to the land which resulted in a court decision to divide the land between him and the villagers to settle the dispute (Li 2010c). According to the *kades* of Kuala Buayan, Pak Surip* also acquired 39 KKPA entitlements (*capes*) through the former *kades* of the *desa* who had persuaded villagers to sell their parcels by saying they would not amount to much, and which today remain in dispute with PTPN XIII that does not recognize these transactions because they contravene the regulations that allocate plots only to the original registrants. With respect to the BHD, Pak Surip* is also claiming the land where the factory is located, and his name is added to the list of outstanding land conflicts south of the Kapuas River. For local famers like Pak Yudi* who claims to have had 32 hectares of land taken by BHD, but has yet to receive any *kaplings* in return, the dispute with the company has been long and tiresome, and though he chooses to mostly 'protest in his heart,' he vows to get his due one day (Pak Bimo* 2010). Conflicts with the company, however, do not

[99] Beginning in 2000, and especially since 2005, rubber prices have climbed considerably which has resulted in formerly untapped rubber gardens being brought back into production to a point where many people stopped swidden agriculture. The recent global food crisis has since caused farmers to maintain swidden production alongside their rubber tapping (Li 2010b).

exclusively involve issues related to land, and smallholders find common ground with local officials regarding the upkeep of infrastructure and the sharing of benefits derived from oil palm.

There are two additional major points of contestation between oil palm companies and local communities: the first involves the maintenance of roads in *plasma* areas, and the second is related to the mandatory allocation of oil palm revenue to the *desas*. Within regular harvest cycles of one to two times per month, smallholders are required to have their FFBs reach the processing mill within 48 hours, otherwise the fruit begins to rapidly decay and loses its potential to produce quality CPO. The livelihoods of smallholder producers, therefore, remain highly dependent on properly maintained roadways and reliable transport systems to ensure a timely delivery of their crops that will yield proper earnings in return. Most of the *plasma* roads, however, are in extremely poor condition, and in particular during the rainy season (October to March), they lead to protracted delays in the transport of the fruit to the processing mill where as much as 50 percent or more of a harvest can be rejected by the company due to spoiling (Pak Artin* 2010). Though smallholders make a per kg contribution to the *plasma* road maintenance budget under the control of the KUD, and they engage in monthly *royong* projects to work on areas badly in need of repair, more capital is required to ensure properly functioning roadways. Smallholders and the local government offices in Kuala Buayan say that the responsibility lies with the BHD, while the company, in turn states that it has already

committed the financial support for roads as required by the original PIR-BUN-TRANS scheme and that it is for PEMDA, the local government, to look after the *plasma* roads. Smallholders acknowledge, on the one hand, that KUD road funds are not necessarily being used properly for infrastructure maintenance due to corruption (Pak Guntur* 2010), yet they are adamant that BHD is shirking its responsibility and needs to commit additional capital to roads. They argue that such an investment will ultimately be beneficial for smallholders who will deliver their FFBs on time, and the company that will produce more CPO in the short and long run. The current Kuala Buayan *kades* notes that BHD is only really interested in the *inti* area, adding the company deliberately ignores laws and regulations and sends its public relations people as go-betweens without ever responding directly to the local government (Li 2010c). In addition, as *kadus* Pak Maharani points out, regional regulation (PERDA 2004) stipulates that five percent of net company profits are to go directly to the *desa*, and in light of this act, PTPN XIII recently responded favourably to a request for funds,[100] while BHD and its subsidiary DSP had yet to reply (Ibid.). At this point, a closer look at how these issues and those related to the changing relations to land are being played out in a localized setting will provide valuable insight into how the oil palm industry is impacting a small community located on the south side of the Kapuas River. Discussion will now turn to the field data I

[100] Pak Mahrani qualified that Kuala Buayan did not ask for 5 percent of the oil palm profits, but rather for funding (IDR 15 million) to rebuild the three bridges that were in a serious state of disrepair. I later met one of the construction workers for the project who informed me that the Australian firm Pusan PPIP was awarded the IDR 2.5 million project that would take 6 months to complete. I could not account for the discrepancy in the project cost.

gathered while staying in the neighbourhood of Cempaka, RT 5, on the most easterly edge of *desa* Kuala Buayan and located within the BHD plantation concession.

4.4 Oil Palm Smallholders in Cempaka, RT 5 under the BHD Concession

Cempaka has 64 households and a total population of 240 residents which live primarily along the river bank, with a few families nestled further inland into the forested area on the edge of smallholder oil palm plots that make up the *plasma* area tied to BHD. Land that was formerly used for rice cultivation has all been taken up by oil palm, and there remain only isolated pockets of rubber gardens with the occasional plots dedicated to grow vegetables and some fruits. The community is nearly exclusively Muslim with many residents having emigrated from Java and married locally either in Pontianak, Meliau, Sanggau, or elsewhere, and have taken up residence in Cempaka either decades ago or as recently as over the past 5 years. Children attend primary school (SD) located across the river on the PTPN XIII concession, and the junior and high schools (SMP and SMA) are located in Kuala Buayan closer toward the main centre. Some of the children in the village have not completed their primary schooling, are too old to enter SD, and as such, are unable to pursue higher levels of education. For the families with sufficient resources, children are sent away to public or private religious schools in West Kalimantan, and they visit their families during the school breaks. There are also children and recent high school graduates in the village who are not interested in furthering their education, nor are they willing to work in agriculture, and prefer to

remain dependent on their families that have grown relatively prosperous from palm oil and have accumulated multiple *kaplings* in the surrounding areas.

As is the case with all the neighbourhoods in the *desa*, the roads leading in and out, as well as those within the community are more like mud trails that quickly deteriorate to a point of near impassibility once it rains. The local villagers travel on foot or by motorcycle for the slightly more affluent, and the river access offers multiple opportunities to travel to neighbouring communities or to larger towns and cities like Meliau or Sanggau where supplies are purchased. The narrow footbridges that link communities along the river prevent the use of cars or trucks for transport, and in Cempaka, there are two one-ton trucks (*Hiline*) which are used exclusively to transport FFBs from the *kaplings* to the river for shipment to the BHD dock down river. The houses are mainly wooden structures, and some are run-down, even abandoned, while others are painted and tiled on the outside which is one of the more visible signs of the prosperity that has entered the community with the introduction of oil palm. It is also possible to find homes with new motorcycles, expensive stereo and entertainment equipment, and speedboats as part of more recent consumer economy tied to oil palm. In this regard, there is a distinct division of wealth that can readily be discerned in Cempaka that distinguishes families with oil palm *plasma* plots from those who do not, even though there is a general sense of increased prosperity for the community, and in particular since the rise in CPO prices from 2006 onward. It is important to note,

however, that in this community, as in many others located within oil palm concessions, general infrastructure, social benefits such as health and education, and public facilities remain severely underfunded, which is a reflection of the current funding scheme that requires companies to pay a 3 percent CPO export tax, most of which stays in Jakarta.

A wealth ranking assessment based on *kapling* and land ownership conducted on site with the *dusun* of RT 5 identified four groups of villagers in Cempaka (see Table 8). Group 1 had two or more *kaplings*, with other possible land assets;[101] Group 2 had one *kapling,* with other possible land assets; Group 3 did not own any *kaplings*, but had some land either as rubber gardens, mixed-cropped gardens, or unused cleared land; and Group 4 did not own any *kaplings*, nor did they have any assets in land. The wealth ranking revealed that more than half of the households do not own any *kaplings*, and 35 percent do not own any land at all. For the latter group that is landless, household members work either as day labourers on local *plasma* plots or as rubber tappers on local gardens. Many in this group are labelled *pas pasan* meaning they make sufficient income to just get by, but no more, and they have no means of accumulation that will enable them to advance economically or socially. In the dry season, rubber tapping can be a steady source of work, and throughout the year, the oil palm sector opens up labour opportunities along monthly / bi-monthly harvest cycles, as well as for general weeding, fertilizing, and plot maintenance. The assessment also revealed that 13 households (20 percent) owned a

[101] Other land assets might include rubber gardens (*kebun karet*), land dedicted to mixed-crop (*ladang*), or cleared forest land for future generations (*bawas*).

single *kapling*, while 16 (25 percent) had two or more *kaplings* which placed them in the highest wealth ranking in Cempaka. At the top of this group is one household that has six *kaplings*, followed by another that has four *kaplings*, with subsets of four and five families which own three and two *kaplings* respectively. The largest number of oil palm assets is associated with one of the village elders, Haj Praman*, who was born in Cempaka in 1932, grew up in family that started producing rubber in 1952 after having purchased 28 hectares of land from a Chinese land owner, and engaged in private oil palm production in 1998.

Table 9: Wealth Ranking based on Land Ownership (64 families / population=240)

Category	Descriptor	Details	Families	%
Group 1	2 or more *kaplings* (ka)	° 1 family has 6 ka, 1 family has 4 ka ° 4 families have 3 ka ° 5 families have 2 ka. ° ?? families also have rubber gardens ° ?? families also have cleared parcels	16	25%
Group 2	1 *kapling*	° 5 families also have rubber gardens ° 2 families also have cleared parcels	13	20%
Group 3	No *kapling*	° 4 families have rubber gardens ° 10 families also have cleared parcels	13	20%
Group 4	No land	° Many work as labourers in oil palm or rubber production ° Many are *pas pasan* meaning they just get by and have no means of accummulation	22	35%

Note: Information derived from interviews with the *kapela dusun* of RT5, as well as with the *kapela dusun* of Kuala Buayan, 10 July, 2010.

It was unclear if any of the villagers had any outstanding land claims with BHD, but it was evident that some households had either been awarded more *kaplings* by the company as a result of their surrendered landholdings in the PIR-BUN-TRANS scheme, or they were able to accumulate additional *kaplings* from earnings generated from existing *plasma* plots, in combination with income stemming from rubber production. Moreover, smallholders who had been successful in paying off their *plasma* debts through a monthly payment to the KUD of 30 percent of their harvest, were thus able to use their additional income to acquire new *kaplings*, and if their titles were officially returned to them by the company, credit from the bank was accessible to allow for new purchases as well. In the case of the landless households that have no assets in land, either due to their more recent arrival in the Cempaka or as result of land taken over by the BHD *inti-plasma* scheme without proper compensation, they faced fewer alternatives to access land than in the past where land was generally available for subsistence agriculture with permission from the customary holder of the land in exchange for a nominal return (ten percent) of the harvest. Within this group of landless households, as well, there are those who were obligated to sell their rubber gardens or other land assets due to economic hardship, and as a result, needed to rely exclusively on wage labour to secure their livelihoods. During my stay in Cempaka, one individual, a father of six children who had lost his wife due to illness five years ago, recently sold his remaining rubber garden of approximately two hectares because of financial needs to support his family (Pak Fajar* 2010). Currently, he works as a harvester for four oil palm

smallholders in the area and is able to work an average of six or even seven days a week as a result of particular cycles associated with the maturation of the oil palm fruit. As an agricultural crop, oil palm remains highly labour intensive in the harvest cycle, and because labour demands decrease significantly in between these cycles, smallholders generally try to stagger their harvests so as to avoid labour shortages during critical periods. A closer look at smallholder oil palm production will help shed some light on the processes involved, the divisions of labour that are associated with it, and the income that is generated under the current boom cycle in the industry.

Pak Guntur*, who is originally from East Java, married Ibu Aini* in 1994 at the age of 18 and moved to Cempaka after being given a small parcel of land (50m x 20m) by his father-in-law upon which to build a house. A similar arrangement was made with respect to Ibu's two other sisters, and all three families now live as neighbours and they are all engaged in oil palm production. In the same year, while working as a bulldozer operator, Pak Guntur* purchased his first *kapling* for IDR 4 million from Pak Nurman*, identified earlier as a major landowner in the area and who also happened to be related to his wife, and in 1997, he purchased a second *kapling* from another individual, but this time for IDR 45 million. Since 1997, he has no longer worked as a bulldozer operator, and he is able to provide for his family solely through his oil palm earnings. His *plasma* plots are both within walking distance from his house, about 20 minutes, and they each have a complement of 240 trees which together yield an average of 3.5 tons of FFBs per month.

Pak Guntur* is a member of KUD SP2 in Bhakti Jaya that is responsible for all financial transactions between him and BHD, and at the end of each month, he receives a slip as a record of his harvest, the amounts that were deducted from his harvest, and the final amount owing to him (see Figure 8). In early 2009, he was able to clear his debt for the first *kapling* which meant that he no longer had to pay a 30 percent deduction from his harvest to cover the credit owing to BHD as part of the *inti-plasma* scheme, and he expects that by late 2011, he will have also paid off his second plot as well. Within his smallholder block (*amparan*), there are 19 other farmers who have paid off their credit to BHD, to the best of his knowledge. He has yet to receive the official title for his first *kapling*, though he is unsure as to why there is a delay in getting it to him, though he anticipates that once his second *kapling* paid off, he will receive both titles at the same time.

Once Pak Guntur* has determined that oil palm fruit is ready for harvest, the proper transportation and labour arrangements are made and the full-day event takes place within a day or two of the field inspection. On the day of the harvest, his wife gets up at 3 am and prepares lunch for the eight workers, so that by 7 am, everyone sets out on foot with the necessary tools which include a wheelbarrow, handle hooks, and curved blades set on the end of long poles (*egrek*). The oil palm trees are between 8 and 10 years old, and because of their height, longer cutting tools are needed to reach the FFBs which can

Dafta Gaji Petani Hamparan 17
Mekar Sari Sawit

Nama: Pak Guntur* **Tanggal:** *13/6/2010*
Kapling: ##

3.337 kg x Rp. 1.301.73 = ***Rp. 4.343.873***

Potongan

			Rp.
1.	**Kredit**	**(30%)**	**0**
2.	**Angkutan**	**(Kamion)**	**67 / kg**
3.	**FL KUD**	**(Fee KUD)**	**6.25 / kg**
4.	**FL JL**	**(Fee Jalan)**	**15 / kg**
5.	**FL KKTH**	**(Fee Ketua Hamparan 3rd)**	**8 / kg**
6.	**Konsumsi**		**0**
7.	**D. Timbang**		**0**
8.	**D. Royong**		**0**
9.	**Lain (Simpanan Lajit)**	**(Simjintin)**	**1000.00**

Hasil Bersih ***Rp. 4016.586***

Figure 8: KUD statement for FFBs harvest on a single *kapling* dated June 13, 2010.

weigh between 15 to 30 kgs. The labour force is mainly comprised of direct family members or distant relatives, though two individuals are unrelated local villagers. The two women who join the harvest, Ibu Aini* and her older sister, are responsible for gathering the individual fruit that breaks away from the larger bunches (*berondol*) into large baskets that are later weighed in the field along with the FFBs at the end of the day. The harvesting process is labour intensive and involves cutting the FFBs from the tree, hauling them by hand or wheelbarrow up to the scale by the main *plasma* road, and clearing away all the cut branches that will be hauled away at a later date. By late afternoon, the fruit from both *kaplings* has been collected by the roadside and has been

weighed using a makeshift lever and scale system (*timbangan*) that has a capacity of 200 kg. Pak Guntur* then calls the driver of the one-ton truck (*Hiline*) to notify him that the FFBs are ready, and the harvest is hauled down to the river bank in four loads to await the boat (*kapal*) that will transport the fruit to the BHD dock the next morning. The workers are paid IDR 125 per kg which is then divided among the six harvesters, and based on the day's harvest of approximately 3.5 tons, each will receive about IDR 73,000, while the driver will receive slightly more. The women are working under a shared labour system (*royong*), and as a result, they will not receive a direct wage. The following day the *kapal* is loaded, the FFBS are transported to the BHD dock, and are then loaded onto a larger 5-ton truck and delivered to the mill for processing. At the end of each month, Pak Guntur* visits the KUD in Bhakti Jaya, and based on his harvest slips provided by the company, he receives his payment, after which he then pays his labourers. Based on the current CPO prices, his net monthly income is estimated at IDR 4.1 million once he has covered all transportation, labour, input, and KUD expenses (see Table 10).[102]

In October of 2009, Pak Guntur* and eight other oil palm smallholders in Kuala Buayan attended a week-long course in agronomy in Parindu that was sponsored by the Ministry of Agriculture. It was here that he learned about the value of high input farming using fertilizers and herbicides, and how to maintain his *kaplings* so as to achieve the best yield

[102] In comparative terms, the average wage for a public school teacher is about IDR 2 million per month, and Pak Guntur's* earnings for the month of July equates to approximately US$ 482 which is a substantial sum.

for his parcels. Following this course, he began making more intensive use of fertilizers by combining the standard method of spreading it by hand (*tabur*) with a method called *lobang* that involves digging four holes (50cm x 50cm x 30 cm) around each tree and filling each hole with fertilizer and water every three months. He is thus able to harvest FFBs twice a month instead of the usual single harvest, which makes economic sense to him given that his investment of IDR 7.2 million in fertilizer allows him to practically double his yield and quickly recover his input costs. Pak Guntur* also makes use of 24 litres of the herbicide Roundup each year at a cost of IDR 1.44 million to kill the grass around the trees, which reduces his cost of labour in weeders, though he does still hire a weeder for two days a month to maintain the *kaplings*. In his opinion, being an oil palm smallholder has enabled him to secure important earnings that would not have been possible had he simply tapped rubber, for instance, yet he is also aware that CPO prices can fluctuate greatly from year to year, as well as the cost of inputs, and for this reason he also maintains 18 heads of cattle for security should prices drop as they have in the past. His biggest issue lies with the BHD not maintaining the roads properly which costs him significant losses in the rainy season, and he is also mistrustful of the KUD that manages his accounts. He feels the cooperative is not giving him the best price on his FFBs, is charging him too much for fertilizer which is purchased in bulk for the smallholders, and it is also squandering the funds allocated for road repairs and maintenance. Every year there is an opportunity to elect new KUD representatives, though he does not have much faith in being able to change the problems within the larger system. Despite these

outstanding issues, he is optimistic about the future of oil palm, hopes his son (10 years old) will follow in his footsteps, and expects to acquire more *kaplings* when his finances permit him to do so.

Table 10: Annual Expenses and Income for Oil Palm Smallholder with Two *Kaplings*[ab]

Expenses (IDR)		
Type	**Descriptor**	**Amount (millions)**
Transportation	FFBs are transported first by *Hiline* (1-ton) to the river, then by *Kapal* (4-ton) to the BHD dock, and finally by *Truk* (5-ton) to the mill for processing into CPO.	21.768
Labour	Includes harvesters (*pemanen*), FFBs handlers (*pemuat*), *Hiline* driver (*supir*), weeders (*pembersih*), and fertlizers (*pembuat lobang*)	12.900
Inputs	Herbicides used twice a year (24 litres of Roundup) Fertilizers used every 3 months (1,000 kg)	8.640
Income (IDR)		
KUD - Gross		109.368
KUD - Net		92.710[c]
Final Net Yearly Income (IDR)		
		49.402

a. Estimated yearly income based on average total harvest of 3.5 tons per month sold at the current price of IDR 1,302 per kg.
b. The smallholder's spouse and her sibling do not factor into labour costs. A *royong* (exchange) system of labour is used where they are part of the labour force for each husband's respective *kaplings* that do not receive payment in the form of wages.
c. The net amount is based on first *kapling* having the credit paid off and the second *kapling* having the monthly 30 percent deduction as is currently the case with Pak Guntur*. His net annual earnings will increase by an average of IDR 16.405 million once the second *kapling* is paid off in full.

Note: Information derives from an interview with smallholder Pak Guntur*, 2 July 2010.

4.5 Labour Regimes, Gender Issues, and Resistance

The oil palm industry that has developed on the state-run PTPN XIII plantation in Sei Dekan on the north side of the Kapuas River and the privately-held BHD on the south shore has given rise to distinct labour regimes and working conditions on the respective estates and factories. Both companies are in direct competition with each other for labour, as well as with *plasma* smallholders that hire casual labour on a regular basis. While PTPN XIII offers casual workers a daily wage of IDR 20,000, BHD sets the wage at IDR 30,000, while *plasma* smallholders offer between IDR 30,000 to 50,000 for general labour. Working on either *inti* or *plasma* land, harvesters can earn IDR 60,000 or more depending on the total fruit harvested, and both companies tend to lose out in competition with smallholders and face regular labour shortages, especially during peak harvest cycles. According to a foreman from PTPN XIII, up to 30 percent of the estate FFBs is not harvested on time due to the chronic labour shortfalls, and as such, labour remains a limiting factor of production (Li 2010b). BHD has sent out recruiters to NTB to find labourers for the estate land; PTPN XIII, on the other hand, is looking to bring in contract labour through a new policy (*Kalla*) introduced by Indonesian President SBY that involves a two-year would for labourers without any of the benefits formerly offered to plantation workers such as housing and pensions. In some cases as well, estate workers are subcontracting harvesting work to other workers that may include family, relatives, or friends. Within the management of both companies there is a distinct

impression that local labour is only available in a limited supply, and that local labour also tends to be lazy, is unwilling to work, is unreliable and more difficult to manage. The labour shortage, however, can in part be seen as a simple matter of economics, in that if the companies were to offer better wages, there would be a corresponding decrease in the labour shortage (Li 2010b). Also relevant is the fact that the longstanding, and as of yet, unresolved claims for *plasma* plots and compensation for land taken by the oil palm companies at their inception and which have continued throughout periods of expansion, remain a sore point within communities and may render potential workers less inclined to provide labour for the state-run or private company.

An important distinction also needs to be made as to how labour and housing issues for estate and mill workers have developed quite differently on either side of the Kapuas River which is largely a reflection as to how the state-run plantation is run in comparison the national private company BHD. Estate employees currently working for PTPN XIII have been provided with housing that includes water, electricity, sanitation, and schools, and the structures are generally well-maintained, newly painted, and give the overall impression of a comfortable rural community, despite being hemmed in by a mono-cropped landscape on all sides. The BHD housing complex, however, known as Barrack 20, is in very poor condition. Its wooden structures are run-down and have not been painted in years, and more importantly, the units lack running water and proper sanitation, despite having been promised access to clean water two decades ago.

According to an employee who has worked for more than 10 years with BHD, the company is poorly run, employs managers on a two year rotation from either Sumatra or Java, and the owner Pak Jamili, maintains a hands-off to management, preferring to stay in Jakarta and to fly in by helicopter periodically for just a few hours (Pak Artin* 2010). He added that when the factory employees formed the SPSI (*Serikat Pekerja Seluru Indonesia*) worker's union in 2005, the manager at the time responded favourably to demands for higher pay and better working conditions, though he was promptly replaced by a new manager who disbanded the union, fired the union leader, and maintained wages at the existing district rate district, the UMK (*Upa Minimum Kabupaten*), of IDR 17,5000 per day. It was not until a labour boycott in 2006-7 that BHD increased daily wages to IDR 33,000, though requests for health benefits and changes to the 12-hour shift rotation were ignored. As it stands today, relations between BHD and the surrounding communities continue to be highly conflicted over issues of land and *plasma* roads, while those involving its factory workers and estate labour force also remain contentious on the basis of working conditions and the sharing of benefits generated by the oil palm industry.

Gender issues inherent within the oil palm sector also need to be considered regarding the gendered division of labour, as well as the role of state mechanisms in reinforcing patriarchal systems that undermine women's autonomy and rights to access and own land. In the sub-district of Meliau, women (and men) have traditionally been engaged in

rubber tapping as a cash crop, and the harvesting of resin has long-time been an accessible source of income that did not require extreme physical exertion. In the areas where research was undertaken, much of the rubber gardens have disappeared and have since been replaced by monocrop oil palm holdings, thus depriving many women (and households in general) of access to an alternative source of revenue. In addition, women generally lack the physical strength required to harvest the oil palm FFBs, and as noted in the case of some women in Cempaka who take part in the harvest cycle by collecting the individual fruit (*berondol*), the compensation for their labour takes the forms of collectively shared labour (*royong*) that does not involve remuneration in rupiahs. Though these women voluntarily consent to provide labour compensated in this form as a means of contributing to their respective husbands' earnings, and as a result to the general well-being of the household, they unwittingly surrender access to a level of independence and autonomy that is derived from earning a direct income. Moreover, it is expected that women will continue to perform their regular domestic duties in the house, in addition to the harvest work, which also includes preparing meals for the workers in the early hours of the morning before heading to the fields. It can also be noted that women do undertake tasks in the maintenance of the oil palm *kaplings* that presents additional health hazards for them, such as the application of herbicides and the regular spreading of fertilizers by hand in the case of the *tabur* method. These tasks are not performed exclusively by women, in particular with respect to the company *inti* holdings, however, women figure prominently within this division of labour. Concerning the issue of

holding title to land, the state mechanisms allow only for the male head of the household to appear on the title, which in turn, prevents women from accessing credit at a financial institution by depriving them of access to the collateral that comes with title. It is ironic that some men in Cempaka became owners of land through marriage to women who were granted land by their fathers, yet the women are denied the full privileges of land ownership themselves.

Altogether, oil palm smallholders who have been incorporated into *inti-plasma* under a variety of contract farming schemes are a characteristic feature of labour regimes associated with the industry, and peasants, indigenous people, and local farmers resort to various forms of resistance in pursuit of economic and social justice. As noted earlier, much of the conflict over land stems from the government having failed to engage in proper consultation with communities in a clear violation of its own 'socialisasi' process (Tarigan 2010). In addition, whether smallholders received *plasma* parcels as transmigrants or as local villagers who had contributed land to the oil palm development project, they were invariably drawn into relations of production with a system that lacked transparency, as in the case of the KKPA and KUD cooperatives that were established by oil palm companies and were largely working in their favour. In the BHD and PTPN XIII concessions, a large number of *plasma* producers lack important details regarding their outstanding credit owed to the companies, and they are unaware of the risks involved and obligations that bind them to the company. Oftentimes, many are caught in

a protracted debt cycle caused in part by monopsonistic trade relations with the oil palm companies that set the FFB prices and also control the selling of inputs to the farmers, as well as subjecting them to incidental costs linked to plot development and infrastructure maintenance. Every one of these items creates an opportunity for capital accumulation from smallholders that may or may not be warranted, fair or legitimate. For this reason, smallholders in Sei Dekan have delivered an ultimatum to PTPN XIII that a blockade will be in place this summer should the company fail to produce accounting documents on their *plasma* holdings (Ali 2010). Some smallholders in Kuala Buayan embark on a form of resistance categorised as a 'weapon of the weak' by mixing in significant amounts of lower grade FFBs to their harvest that generally goes undetected by the BHD, as a way to recover some of the losses attributed to spoiled fruit due to poor road conditions (Semedi 2010). This type of action could be considered a by-product of and reaction to a system of agricultural production that favours the corporate entity over the individual, and is an attempt to redress some of the economic and power imbalances between the respective actors.

The next generation of *pola kemitraan* schemes currently underway in the Meliau sub-district are expected to significantly alter labour regimes and relations to land, and it is uncertain if such development will lead to more authentic socialisation processes. BHD has presently halted the expansion of its estate in *desa* Kuala Buayan, as well as that of its subsidiary DSP in the neighbouring *Kecamatan Sanggau Kapuas*, and is now

concentrating its growth in a new subsidiary, AAC (*Agro Abadi Cemerlang*). It has been granted a concession of 8,100 hectares, will have a processing capacity of 60 ton of FFBs per hour, and is expected to come into production in 2011. According to the secretary to the Camat in Meliau, Pak Untung, the company will employ a 80:20 *inti-plasma kemitraan* scheme that will see all the land developed as an estate holding with contributing villagers receiving their share of 20 percent of the profits; he added, however, that there are talks emerging about adopting an *inti-plasma* scheme, and thought he believes that including smallholders is better for villagers in the long run, he is concerned that the same problems arising with BHD as they have in the past, namely smallholders being allocated only the worst land, *kaplings* will be poorly developed, and the substandard roads will continue to be a source of conflict (Li 2010c).

Abetnego Tarigan from Sawit Watch pointed out that companies prefer to develop strictly along *inti* lines because it is less complicated for them, and they can engage in economies of scale with oil palm production. He added, however, that when locals protest and demand to be included in *plasma* schemes, the company generally agrees to avoid conflict, yet it maintains its high ratio of 80 percent of the land dedicated to estate land. In his opinion, the estates should remain small in keeping with the meaning of the word *inti,* and the majority of land should be developed as *plasma* plots to help secure smallholder livelihoods in the present and into the future (Tarigan 2010). In light of these two options currently being debated, locals face challenges on both fronts. The

kemitraan model opens the door for absentee landlords and land accumulation, and results in a complete loss in sovereignty over land access, ownership and use by locals. The second *plasma-inti* scheme holds more promise for smallholders, though as has been noted earlier, irregularities over land allocations, inadequate infrastructure support, and issues related to consent and compensation can all be sources of conflict and dispute that can remain unresolved for decades.

With regards to RSPO criteria and guidelines, participation ultimately remains voluntary, and to date neither the state-run PTPN XIII, nor the privately held BHD (or its subsidiaries) has applied for membership or certification. The Indonesian government has stated in the past that it was difficult to implement RSPO standards, especially concerning carbon emissions and biodiversity (IPOB 2007). In the summer of 2010, the national government announced that it would develop its owns Indonesian Sustainable Palm Oil (ISPO) standards, though, as Marcus Colchester pointed out, "how will ISPO differ from the RSPO, and more importantly, will ISPO promote a 'business as usual' approach, or will there be tangible environmental and social gains?" (Colchester 2010). Certainly the issue of FPIC is a critical one which entails the rights of community to accept or reject oil palm development, or any other project for that matter that involves surrendering control over communally-held or private land. In the field research site that covered five *desas* in the sub-district of Meliau, oil palm smallholders gave no indication that they were aware of RSPO, and many did not seem to have a full understanding of

what the process of socialisation involved and what was implied by being required to give consent to accept or reject development initiatives. Given that no land has been acquired by FPIC, current Indonesian laws are in direct conflict with RSPO criteria (Colchester 2006, 185). Until laws change and processes promote greater social justice, individuals will continue to take matters into their own hands, as in the case of Pak Idham*, a former rubber tapper who gave up 32 hectares of land to the BHD, but has yet to receive any *plasma* in return. The local villager, who was awarded a *kapling* on what was Pak Idham's* land, is being prevented by the former owner from harvesting his fruit until such a time as a he receives his due *kaplings* (Pak Bimo* 2010). In this case vertical conflict between the company and villagers, also creates horizontal conflicts amongst villagers themselves that are long waiting for a resolution over land claims.

Chapter 5: A Political Economy Analysis and Links to the Analytical Framework

This next chapter will comprise of a critical analysis of the research data acquired in the sub-district of Meliau, Sanggau which will also entail a review of the analytical framework presented in Chapter 2 in light of this field research. By adopting an agrarian political economy lens of analysis, the fundamental questions as elaborated by Henry Bernstein (2010) of who owns what? who does what? who gets what? and what do they do with the created surplus? will be addressed in reference to land and labour issues in the research site. The first section will examine the processes and mechanisms of agrarian change associated with the oil palm industry, in addition to their linkages with political and economic forces at the local, national and global levels. The next section will present a review of the differentiation of the peasantry witnessed in this area with particular emphasis on how contract farming in oil palm outgrower schemes are facilitating the process of rural differentiation. Labour regimes will also be analysed in tandem with contract farming schemes, and both aspects will be examined in the context of adverse incorporation. The following section will consist of a review of neoliberal land policies in reference to peasant dispossession with particular attention to a 'Code of Conduct' and the principles of Responsible Agricultural Investment (RAI) that are currently being promoted by the World Bank and mainstream development agencies. An overview of biofuels and the oil palm industry will be explored in the subsequent section, looking at industry drivers and the impact of the oil palm expansion on rural livelihoods

in the Borneo forests of West Kalimantan. A critical review of the RSPO initiative will be also included under this topic heading. The following section will cover the issues of rural politics and resistance in reference the oil palm industry with emphasis on the diversity of perspectives and agendas inherent within the expanding sector. The final section will provide an overview of the main issues addressed in the research project that will include a critical response to the question of opportunity or threat regarding biofuels and land grabbing.

5.1 Processes and Mechanisms of Agrarian Change in Meliau, West Kalimantan

This section of analysis will identify the processes and mechanisms of agrarian change in the subdistrict of Meliau that will also require identifying the various aspects associated with changing social relations with respect to land and labour as a result of the rapidly expanding oil palm industry in the area. As noted by Ben White, rural differentiation involves a cumulative and permanent (i.e. non-cyclical, though not irreversible) process of change, and that it is useful to make a distinction between the process of differentiation itself, and the various aspects of that process: the mechanisms and causes, the symptoms and indicators, as well as the context and constraints within which it is occurring (1989, 20 & 24). While the symptoms and indicators of rural differentiation may include features of rural social-economic structures that reveal the distribution of owned and operated land or the uneven distribution of wealth within a community, a critical analysis of agrarian change involves examining the changing relations between social groups and

individuals in the context of the development of commodity relations in a rural economy (Ibid., 27 & 20). This analysis will therefore entail exploring the various internal and external causes behind the current patterns of differentiation, in addition to the context (e.g. regional, national, and political) in which it is unfolding, and the constraints that may be affecting the pace and form of differentiation. Only once these various aspects are considered, is it possible to more clearly understand the processes underlying agrarian transformation in this particular setting, and how distinct patterns of development are resulting in uneven distributional outcomes, increased rural differentiation, and a widening gap between those engaged in the oil palm industry and those excluded from it.

A critical mechanism that has helped determine the nature and scope of agrarian change linked to oil palm in the five research *desas* in the subdistrict of Meliau is the system of forest classification, as defined under the Basic Forestry Law of 1967, that is employed by the state as a means of asserting control over upland territories and its resources. The 'official' maps, censuses, and documentation produced by the state armed with a self-appointed mandate of eminent domain over 'forested' areas resulted in competing and overlapping claims, the drawing up of inaccurate village boundaries, the omission of long-established forest settlement, and the appropriation of large areas of *uluyat* land from *adat* indigenous peoples. These mechanisms, and the processes inherent in their production as part of an implementation scheme for oil palm plantation development, can be traced to a central problem of statecraft, that of legibility, whereby state

simplifications are employed to render society legible in such a way as to facilitate state functions and the transformation of peripheral areas into 'developed' state spaces (Scott 1998). The cadastral map, as an instrument of control that both reflects and consolidates the power of those who commission it (Kain and Baigent 1992), is a mechanism that facilitates the process of rural differentiation process, with its real value lying in its abstraction and universality (Scott 1998, 44) for the state, represented by the Ministry of Forests, that claims legal rights to all land it has designated as 'forest'. Theses state mechanisms can also be viewed as being a part of larger state territorialisation processes through which modern states exert their power in an attempt to order and control upland resources and populations (Li 1999a, xviii). Territorialisation, as defined by Vandergeest and Peluso (1995, 387) is the process through which "all modern states divide their territories into complex and overlapping political and economic zones...and create regulations delineating how and by whom these areas can be used," noting also that the process was undertaken by colonial and post-colonial regimes in pursuit of profit favourable to elites. The processes and mechanisms associated with state simplification and the territorialisation of forest land in West Kalimantan, have thus played a key role in the agrarian changes that have occurred both on the state-owned PTPN XIII concession, as well as on the private BHD concession on the south side of the Kapuas River.

Characteristic of modernisation projects, the administrative and coercive machinery of the state was brought into play on both oil palm concessions, as PTPN XIII and BHD

claimed development rights on forests classified as 'state forestry land' regardless of vegetation or current use of the land (Li 1999a, 15-17). Villagers living in Sei Dekan were coerced by government officials, local police, and the military to 'temporarily' surrender their land to PTPN XIII in order to allow for oil palm plantation development on land that was in essentially declared as being state property and not *adat* land. Communities that had once relied on diversified livelihoods which included rubber gardens and fruit trees, as well as mixed agro-forestry practices that complemented earnings derived from cash crops, witnessed their lands converted into monocrop oil palm plantations as part of a large-scale agricultural development project, that may or may not include the village members in the *desa.* When the 25 year HGU was subsequently renewed by Sanggau district, the villagers realised they had been deceived into believing the transaction only involved a short-term leasing of the land, yet at this stage, the plantation concession was now unequivocally declared state property in perpetuity, thus rendering the *adat* claim to the land more difficult to pursue. In the case of the BHD oil palm project, local informants in Kuala Buayan revealed that the company had simply flown over the area by helicopter, had produced aerial photos that 'confirmed' the area was largely state forest land with the exception of enclaved settlements, and acquired a HGU that authorized it to clear the forest area and develop a plantation. Such 'official' mechanisms enabled the BHD to overlook existing rubber gardens and mixed-agro forestry areas, and with the cooperation and support of the current *desa* and *dusun* leaders at the time, the 'state forest land' was transformed into oil palm production, with

inclusion into the development scheme oftentimes depending on political and economic ties to corrupt systems of local and regional government. The designation of 'state forest land' over the majority of the Kalimantan area, 97 percent of the existing land mass (Peluso 1992, 5), thus provided the state with a key mechanism with which to dictate the nature of rural differentiation through oil palm development.

A second critical mechanism that is central to the agrarian changes connected to the oil palm sector, are the various *inti-plasma* schemes introduced in the upland regions as a model for agricultural development and a source of economic growth in rural areas. The PIR-TRANS scheme in particular was designed as a means to appropriate land from locals for oil palm concessions through a multitude of estate-smallholder ratio models, while at the same time providing an imported work force that could supply the labour needs of the estate plantation, the company processing mill, and the *plasma* holdings awarded to individual households. This development model sought to completely restructure existing rural societies and involved taking the land from one social group, namely indigenous people or mixed local populations, and redistributing it to another group, the transmigrants, that would eventually come to include local villagers as well in the *inti-plasma* schemes. As the field research in the PTPN XIII and BHD concessions revealed, rural differentiation occurred along distinct trajectories determined by who received one or more *kaplings*, the quality and location of the *plasma* plots, and the ability of a smallholder to wait out the five or more years needed before the oil palm trees

began producing FFBs. In part, as a result of the delay in productivity, a large number of transmigrants in the BHD PIR-TRANS project abandoned the oil palm site early on, which resulted in the illegitimate transacting of local land that has yet to be resolved to this day. In addition, this particular mechanism of agrarian change was marked by numerous irregularities in the implementation process as noted earlier, whereby in many cases, legitimate recipients failed to obtain *kaplings,* while others who were not entitled to *plasma* parcels, acquired land as result of personal ties to local government or *adat* heads who also benefitted disproportionately from the oil palm scheme. Existing large landholders who had acquired land in the past through a variety of means that were at times difficult to track, could lay claim to multiple *kaplings* that, in time, would provide a means of sizeable accumulation either through the production of oil palm or as a result of the increasing value of *plasma* plots that increased more than ten-fold over the past decade. Rural differentiation through the *inti-plasma* mechanism has thus followed a diversity of complex paths that have allowed some smallholders to successfully accumulate capital and expand their production, while others have experienced dispossession without compensation, nor have they received direct benefits of the industry and continue to press for *plasma* allotments.

A third key mechanism that is contributing to rural differentiation in the oil palm industry is the use of contract farming out-grower schemes that are an integral element of the *plasma-inti,* Nucleus and Smallholder Estates (NES) model. Transmigrant smallholders,

as well as local peasants, farmers, and indigenous people who received *kaplings* following a transfer of land to an oil palm company that involved either a typical *plasma-inti* scheme or a KKPA model, were locked into a long-term business relationship with a company that could take anywhere from eight to eighteen years to repay depending on a variety of factors particular to each contract. One feature that is most striking about this aspect of the *plasma-inti* model is that smallholders rarely, if ever, have in their possession a detailed contract outlining responsibilities and obligations of both parties involved, and also rarely do they receive an updated summary of their outstanding debt with the company, nor the credits that have been paid out to date. In addition smallholders are subjected to multiple deductions from their regular harvests without understanding the reason or legitimacy of expenses they are required to pay under conditions that lack transparency or accountability. In a 7.5:2.5 *plasma-inti* scheme, for example, where a local villager surrenders 7.5 hectares of land to a company and receives in return a 2 hectare *kapling* developed by the company, the smallholder is still expected assume the entire cost of developing the plot, in addition to a number of ongoing incidental costs including infrastructure, processing, and KUD operating expenses to name a few. Under this version of 'partnership' between corporate agribusiness and smallholders producers, the latter are essentially subjected to institutionalised monopoly and monopsony relations (Mackintosh 1990), and they are left vulnerable to surplus accumulation by oil palm companies that, not only regulate the upstream of the production industry and set the FFB purchasing price, they are also are able to

accumulate capital through the farmer cooperatives which they helped establish and that are funded by the industry. As noted by Henry Bernstein (1996), the setting of prices at various points along food commodity chains is not a matter of 'real' value or supply an demand interactions, but rather reflects the social and political bargaining strengths of parties involved. This point and other issues pertaining to the imbalances of power and surplus accumulation with respect to contract farming will be examined in greater detail in the following section that addresses peasant differentiation and adverse incorporation.

When considering the rural differentiation that is unfolding in Meliau subdistrict, it is essential to also identify the key external and internal causes that are driving the process. The current fiscal, food, and environmental crises are critical external causes spurring on agrarian change in the Indonesian uplands. More specifically, with the present oil palm expansion directly linked to the recent biofuel boom that is dramatically increasing the demand for food and non-food agricultural products, it is clear that biofuel blending mandates and associated subsidies established by the EU, OECD countries, and others, are spurring on a frenzy of domestic and transnational investment in the sector and are resulting in significant rural transformation in the area. The 'palm oil industrial complex', that is part of an emerging global 'biofuel complex' (Borras *et al* 2010d) that brings together TNCs, state capital, and government agencies allied along new North-South, South-South capitalist relations (Dauvergne and Neville, 2010), is at the centre of dynamic processes of rural differentiation. These processes are thus dominated by TNCs

located within the conglomerate corporate food regime (McMichael 2009) operating within national policies and local power relations that are yielding distinct distributional outcomes and changing social relations of production in the local rural economy (Pye 2010). Another important external cause that is closely associated with the expansion of a corporate agricultural model is the World Bank's 'emerging vision of agriculture for development' founded on new public-private partnerships involving the state and the agribusiness sector that includes greater support and inclusion of smallholders and rural workers (WB 2008, 8). At the national level, the Indonesian government is asking that oil palm companies simply pay a 3 percent export tax on CPO as a way to further encourage corporate investment in the sector, and they are seeking to establish their own ISPO (instead of endorsing current RSPO standards) that is likely to shift the burden of 'responsible and sustainable' palm oil development away from the corporations. To these internal causes can be added regional oil palm plantation policies in Sanggau district that are creating favourable conditions for investment, such as the *pola kemitraan* profit-sharing model, whereby the entire area is managed by the company under an 80:20 *inti-plasma* scheme. The combined effect of theses external and internal causes driving the rapid expansion in the sector is the proliferation of new, local companies with no background in the industry and who promise prosperity to local communities, that in reality, yield highly uneven outcomes (Sirait 2009, 7).

In order to understand the processes of rural differentiation in the Meliau-subdistrict from an analytical perspective, it is equally important to identify the context within which they are occurring. As a starting point, it is evident that palm oil was introduced into an already highly differentiated terrain on either side of the Kapuas River where larger landholders (former and present-day tokays, *adat* chiefs, and political heads, etc.) coexisted alongside smallholders engaged in mixed agro-forestry practices, in addition to landless workers who accessed land through communal systems to meet their subsistence needs. The large landowners and those with close ties to political and economic centres of local power stood to the gain the most from oil palm development, both in terms of acquiring *kaplings* in the *inti-plasma* schemes and with respect to accessing employment opportunities on the plantations and in the processing plants. As noted earlier, in the PTPN XIII and the BHD concessions, there are a large number of outstanding land claims for properly developed *kaplings* and compensation for lost rubber and fruits gardens that have yet to be resolved. Oftentimes, it is the poorer segments of rural society that more readily find themselves on the margins of being able to profit from agricultural development schemes, and given the social structures that were already in place prior to the arrival of oil palm, this process of marginalisation has deepened for certain segments of the rural population. In addition, the current stage of decentralisation in the post-*Reformasi* era has further empowered local actors who are allying themselves with local elites and business investors funded by domestic and international capital, and which are working together to facilitate and accelerate the pace and extent of plantation expansion

in the area. Remarkably, though the Net Present Value (NPV) of large scale oil palm plantations is currently set at US$ 72.62 million per 10,000 hectares (Sirait 2009, 9)[103] surprisingly little of this wealth actually trickles down to the local communities where the oil palm fruit is grown and harvested, in large part due to permissive laws and discretionary enforcement of regulations that allows surplus capital to circulate within limited circles that exclude the majority of the population. The current expansion frenzy is serving to amplify the existing levels of rural differentiation, all the while giving rise to new social classes in oil palm production. Alongside a class of poor and highly indebted smallholders are emerging classes of successful smallholders, middle farmers, and wealthy 'armchair' NES farmers (Pye 2010) who are able to engage in surplus accumulation and go on to acquire more productive resources like land over time, in the classic capitalist form of expansion. It was clear that in the *desas* where field research was conducted, lines of economic and social differentiation were increasingly contingent on those participating in the oil palm industry, those excluded from it, and those incorporated under adverse terms and conditions.

In addition to being shaped by the context in which the processes of agrarian change occur with respect to the oil palm industry, the constraints to differentiation are also critical and may affect the pace and form of these changes. A key constraint centers on

[103] This value is based on an average CPO price of US$ 531 per tonne. Also, should a company convert a natural forest to oil palm instead of simply making use of degraded forest land, the NPV of the same area increases by approximately US$21 million (Sirait 2009, 9).

the large number of outstanding entitlements to properly developed *kaplings* that have yet to be distributed by PTPN XIII and BHD, which in turn, is severely impairing local peasants, farmers, and indigenous people from engaging productively in this agricultural sector that will enable them to sustain diversified rural livelihoods. Another important constraint that is critical to *plasma* smallholders in the inadequate infrastructure support from the oil palm companies that drastically reduces earnings from FFB harvests in where up to 50 percent of their crops are rejected by the processing mills as a result of protracted delays related to poor road conditions. These outstanding major issues, in addition to the problems associated with lack of transparency regarding credit, expenses, and debt management that is handled by the company sponsored KKPA and local KUDs, lead to various forms of protest and resistance in the form of blockades that can lead to violent confrontations, all of which become a significant constraint in rural differentiation in the area. As noted by Idham Arsyad (2010), the current KPA General Director, the government "prefers to the security approach (BRIMOP) to resolve issues related to agrarian reform." Moreover, the limited amount of oil palm earnings that actually make their way back to the local communities greatly impacts on a rural community's ability to develop proper infrastructure and provide adequate service to the residents also acts as a major constraint to agrarian change in the subdistrict of Meliau. The 3 percent CPO export tax is paid directly to Jakarta, while the oil palm development models currently in place rely solely on multiplier effects such as employment on *inti-plasma* areas and monthly earnings from FFBs for smallholders to bring wealth back into the *desas*.

Decentralised policy-making that has allowed for the issuance of HGUs by the district regents (*bupati*) has meant that a high percentage of concessions are classified as illegal, and thus companies are exempt (state-run or private) from paying local land and building taxes, which acts as an incentive for investors, yet also acts as an important constraint.[104] And finally, many of the HGUs have been issued as a means of extracting timber resources without ever developing into oil palm, which leave local land idle and inaccessible to locals who could make productive use of the land (Bachriadi 2010).

Within the framework of rural differentiation that is occurring in this area in relation to oil palm development, there are a number of key symptoms and indicators that can be identified within the current rural social-economic structures. With the state acting as primarily landlord over forest areas, the PTPN XIII and BHD concessions have witnessed the appropriation of either *adat,* communally held, or private land that was in turn redistributed to transmigrants and local smallholders, as well as to a number of individuals (*desa* and *adat* heads, including family members and associated social circle), many of whom were not legitimately entitled to *kaplings*. Existing large landholders in the area were able to benefit greatly from oil palm development in the form of properly developed and productive *kaplings*, though, as noted earlier, some holders of larger parcels of land have yet to receive any *plasma* entitlements, as in the case of a villager in

[104] Research undertaken by Sawit Watch have determined that in Kalimantan province, more than 50 percent of the HGU concessions had been by a *bupati,* when only the BPN is legally authorised to do so (Tarigan 2010).

Kuala Buayan who originally 'surrendered' 32 hectares of land to the PIR-TRANS scheme. In the PTPN XIII concession, a significant number of smallholders who were in possession of substandard *plasma* plots ended up selling their parcels to plantation managers, *inti* workers, or others after being unable to maintain credit payments or turn a profit, and in particular during a protracted cycle of low CPO prices. This phenomenon also transpired on the BHD concession that also included an extensive period of illegitimate selling of *plasma* plots during the largely failed transmigrant phase. As a result, individuals on both side of the Kapuas River were, on the one hand, able to accumulate additional parcels of land, while others lost their *kaplings* through these processes, in addition to having been dispossessed of their original land holdings that included rubber gardens and mix-agroforestry cultivation. In terms of labour, rural workers have been able to procure work on either *inti* or *plasma* land according to harvest cycles or to fulfill general maintenance needs, and a system of exchange labour (*royong*), generally along lines of kinship, in addition to hired labour are characteristic indicators of agrarian change associated with oil palm in the area. Successful smallholders have also been able to acquire credit to purchase additional *kaplings* over time, which has allowed for the emergence of a new class of palm oil farmers that have, in some cases accumulated up to ten or more *plasma* plots. In contrast, local villagers who are landless or near landless, have also lost access to communal land and alternative means of livelihoods formerly found in local rubber garden, and as such, have become

progressively dependent on oil palm labour opportunities, with a good number never been able to go beyond mere *pas pasan* (getting by) rural livelihoods.

An overview of the main processes of rural differentiation characteristic in this heartland area of oil palm development will provide a snapshot of how uneven outcomes attributed to this sector has unfolded over time since its arrival in the arrival in the late 1970s. The PTPN XIII and BHD concessions have incorporated transmigrants and local populations into large-scale agricultural development projects through various *inti-plasma* schemes, which oftentimes required the repressive machinery of the state working with local leaders, to quell opposition and ensure that local resistance would not stand in the way of the oil palm expansion. The process of 'socialisation' that was required when plantation development projects on 'government-owned forest land' was impacting rural communities living there was only superficially done and generally involved deception, coercion, and force to obtain 'the required consent' of the local community to give up use, access, and control over their communal land. HGU concessions were initially issued by the central government through the Ministry of Forests, and later shifted to the provincial governor and eventually to the district regent (*bupati*) through a process of decentralisation that created new opportunities for local elites to profit from oil palm development projects while maintaining an inadequate implementation of the 'socialisation' process. The district task force established to resolve community conflicts related to land and made up of local *desa* and *adat* leaders, government representatives,

members of the police and military, as well as company representatives, meant that local claims and interests would remain secondary to those of the industry and its selected main beneficiaries. In Sanggau district, where new plantation development policies aimed at creating favourable conditions for domestic and foreign investment, are taking the form of various *kemitraan* schemes under the larger 'one-roof management' model'[105] recently adopted by the government that allocates the entire plantation as *inti,* with former landholders participating as shareholders and as wage labour, but no longer as independent and autonomous peasant farmers. Agribusiness investment in the oil palm sector is increasing significantly in the area. As a result, the processes underlying plantation expansion are greatly accelerating rural differentiation along distinct patterns of accumulation and marginalisation where issues of poverty, powerless, and exclusion from valuable resources remain integrally related (Li 1999b, 30).

5.2 The Differentiation of the Peasantry and Adverse Incorporation

The present-day expansion of oil palm plantations in Meliau are taking place in 'frontier' regions that include logged, degraded forest areas, and agricultural land, which is having a differential impact on the local peasantry shaped by national policies, local power relations, and transnational influences that are determining the nature of this expansion (Pye 2010, 854-55). Peasants and indigenous people in this upland region have for

[105] In 2007, the national government launched its 'Revitalisation Project' for oil palm to address the issue of low productivity on *plasma* holdings, and it offered the 'one-roof management' model of 100 percent *inti* plantations as a solution. It is important to note, however, that low smallholder productivity can be attributed to a multitude of factors such as receiving substandard plots, marginal land, poor roads, and minimal extension services (Tarigan 2010).

generations been involved in a combination of market- and subsistence-oriented agricultural practices (Dove 1996), as well as managed forest gardens and community forests to sustain diversified rural livelihoods (Peluso and Padoch 1996). The current oil palm expansion is, therefore, occurring in areas where peasant smallholder mixed farming practices still prevail, and also where tens of millions of people are estimated to be living on and around forests and who are witnessing the rapid erosion of customary land and agro-forestry systems. In Sanggau district, the differentiation of the peasantry, which essentially involves shifts in patterns of control over the means of production (White 1989, 26), is resulting in distinct class formations arising from capitalist accumulation from above and from below that is driven by an expanding oil palm sector. According to Marxist theory, the forces of capitalist agricultural production would progressively transform subsistence modes of production into commodity producers, eventually leading to the full subordination of the peasantry to commodity markets, and resulting in the elimination of the peasantry over time through processes of industrialisation. Within the framework of the agrarian question first posed by Kautsky, the Lenin-Chayanov debate that followed centered on the issue of depeasantisation and the degree to which the peasantry could simultaneously persist in engaging in simple production, while at the same time resist in being transformed into a class of wage labour that has surrendered control over the means of production. Yet as Ben White noted, when speaking of the proletarianisation of the peasantry, neither Lenin nor Kautsky

insisted that this process required the complete dispossession from land, but rather required

> a sufficient degree of inequality in access to land and other productive resources to leave large numbers of 'peasant' households in possession of farms incapable of providing a livelihood and therefore propelling one of more household members partly or completely into the agricultural or wage-labour markets.
>
> (1989, 18-19).

The field research undertaken in the subdistrict of Meliau did reveal a continuum of dispossession and proletarianisation along these lines that also included a complete loss of control over productive resources and the full subordination of the peasantry in areas that were overridden by oil palm plantation concessions.

With respect the differentiation of the peasantry on the state-led PTPN XIII plantation in *desa* Melobok, there are a number of distinct, yet also similar, features that the differentiation that occurred on the south side of the Kapuas River. PTPN XIII had been in operation since the late 1970s, and the area was entirely dominated by *inti-plasma* oil palm production that no longer included any land dedicated to subsistence agriculture or mixed agro-forestry production. The original Dayak villages had been fully absorbed into the oil palm concession, with the exception of a few enclaved hamlets, while the

transmigrant population living in dispersed settlements (*afdeling*) provided the labour force for the estate and/or engaged in smallholder production on their own *plasma* plots or on other *kaplings* in the area. For the Dayak, the agrarian transformation that followed in the wake of oil palm development involved the complete elimination of pre-existing forms of mixed subsistence and commodity (rubber) production that severed them from access to and control over *adat* land and rendered them population fully dependent on agricultural monocropping controlled by PTPN XIII. Those who came to engage in smallholder production under the KKPA scheme, regained in part, control over a parcel of land, though via an out-grower contract farming model of production that offered varying degrees of control over the production process, yet largely subordinated producers to the dictates of market capitalism controlled by large agribusiness interests. In this regard, the original Dayak experienced first complete dispossession, followed by varying degrees of proletarianisation in the form of *plasma* production under a contract farming that returned partial control over land, in addition to the wage labour provided on *inti* land to pursue rural livelihoods that excluded subsistence farming in any appreciable way. For the transmigrants who came to the area from Java, Bali, NTT, and elsewhere, the PIR-TRANS scheme provided them with access to a parcel of land that gave them partial control over land and varying degrees of control over the production processes, though, as in the case of the local indigenous people, left them subordinated to markets and unable to partake in subsistence farming given that the area was fully converted to palm oil production.

In the case of the privately-held BHD concession that was developed a decade later, differentiation of the peasantry evolved along distinct lines according to the degree of insertion in the industry: some areas were completely overtaken by oil palm, others combined oil palm production with traditional mixed agroforestry practices, while a third frontier area to the south rejected oil palm altogether and maintained subsistence farming coupled with traditional rubber tapping. In the areas of Kuala Buayan leading from the river's edge and extending beyond the transmigrant settlement of Bhakti Jaya and including the BHD *inti* land, the larger majority of the peasant farmers and indigenous people were absorbed into oil palm production and no longer engaged in subsistence agricultural production or rubber tapping to any significant degree. The BHD concession had led to the transformation of local villagers, formerly engaged in mixed-farming and rubber production, into either smallholder *plasma* producers, land holding or less labourers linked to the *inti-plasma* work force, or landless villagers earning meagre wages as *pas pasan* (getting by) through rubber tapping and minor wage labour opportunities. Much of the locals lost access to and use of land under the oil palm scheme, and with over 700 *kaplings* yet to be distributed to locals entitled to the plots for the reasons mentioned earlier, a significant portion of the villagers found themselves dispossessed with little means of securing a sustainable livelihood now that most of the land was under oil palm production. For the *desas* that undertook some oil palm production, while maintaining mixed agro-forestry practices and rubber tapping, the

diversification of livelihoods meant that peasant farmers retained some degree of autonomy over their means of production and were able to benefit also from currently high CPO and rubber prices. And in the case of the hamlets located in the frontier areas that had rejected oil palm, peasants engaged entirely in a subsistence economy that also included earnings from rubber and retained control over village land.

On both the PTPN XIII and BHD concessions, a significant number of *plasma* producers and peasant farmers had faced a form of 'reproduction squeeze' for a variety of reasons, which, in turn, allowed for the accumulation of land to occur by successful oil palm farmers and local owners of *kaplings*, as well as the loss of land by others. As noted earlier, many peasants and indigenous people had been given substandard smallholder plots, had to contend with lower quality parcels, and lost significant earning due to poor *plasma* infrastructure, to name a few, but were also saddled with large debts that became difficult to service, in particular during the extended slump in CPO prices that only started turning around from 2000 onward. Many of these highly indebted smallholders sold their *kaplings* and resorted to becoming wage labourers on *inti-plasma* land, with many of the parcels being purchased by plantation managers, mill workers, and successful oil palm farmers (small, medium, and large) that were able to make the necessary investments in the failed *kaplings* in order to transform them into more productive parcels of land. In this particular scenario, the differentiation of the peasantry first involved partial or complete dispossession to the industry, followed by incorporation

into oil palm modes of production through *inti-plasma* schemes, and ending with a surrendering of smallholder plots under adverse terms as final stage of proletarianisation, where land held under contract farming was lost and wage labour became the only means of securing a livelihood. Within the framework of peasantry differentiation, agrarian change, and capital accumulation associated with oil palm in its present rate of expansion in West Kalimantan, local livelihood strategies can be viewed as being either enabled or constrained by economic, social, and political relations (Hickey and du Toit 2007). The emergence of oil palm as a leading commodity is transforming agrarian structures and giving rise to particular patterns of inclusion/exclusion and adverse incorporation characterised by "an irreversible shift in ownership of agricultural assets away from [the] poor" and "a distribution of social power in the countryside that is likely to be long enduring" (McCarthy 2010, 845). In addition to the processes and outcomes of inclusion and exclusion cited earlier, the concept of adverse incorporation offers an important analytical lens through which the social relations between the state, market, community, and households lead to particular forms of interactions that produce wealth and prosperity for some, and chronic poverty for others in the subdistrict of Meliau.

With the understanding that "poverty and disadvantages can flow, not from exclusion, but from inclusion on disadvantageous terms" (du Toit 2007), adverse incorporation examines how poverty is derived from processes of integration into broader economic and social networks with emphasis on power relations, social dynamics and political

economy. One of the more critical aspects of adverse incorporation involves *plasma* smallholders who lacked a clear understanding of the obligations, risks, and opportunities when they accepted a contract farming agreement with oil palm companies that essentially reduced to relations of monopoly and monopsony with the company. Not only did they lack a written contract outlining the details, smallholders lacked the ability to negotiate FFB prices, were obligated to sell their harvest to the company mill at uncompetitive rates, and lacked verifiable records that tracked their outstanding debt and credit balances. Moreover, through the farmer KUD in the various *inti-plasma* schemes including KKPA, multiple deductions were made at each harvest that lacked transparency, and smallholders were left thinking a number of them were simply ways to extract surplus from them for no justifiable reason. An important aspect of having smallholders enter into contract farming under unfavourable terms had to do with the poor conditions of *plasma* roads, especially on the BHD concession, which meant farmers experienced significant losses during the rainy season and had to face extended debts cycles and impoverishment as a result. Roads on the *inti* land were well-maintained, in contrast. Another aspect of adverse incorporation relates to smallholders on the PTPN XIII concession who received substandard *plasma* plots that either lacked the minimum number of oil palm trees as per industry standard, were located on poor soil, or were far removed from the village, which in turn led to a significant number of them selling their 'failed' plots to locals who had the capital to accumulate *kaplings* and restore the plots to proper productive capacity.

The labour markets associated with the oil palm industry also carries elements of adverse incorporation for the local population working either on *inti* land or as part of the labour force for the processing mill. Many of the workers on the oil palm estate were hired as casual labour, lacked the security of regular and reliable earnings, and received a minimum wage (UMK) based on the general standard set by the government. The employees at the BHD mill initially tried to unionize (SPSI) in an effort to negotiate a fairer wage with the company and argued that the UMK rate was not sector specific, but rather represented an average rate across all sectors. The union organisers were fired, the organisation disallowed, and it was not until subsequent job action that resulted in work stoppage did the company agree to increase wages, though retained the 12-hour shift rotation that workers had asked been trying to have changed. Abetnego Tarigan (2010) from Sawit Watch commented on how oil palm companies who operate in Malaysia and in Indonesia were unable to adequately answer a question posed at an international meeting last year as to why workers in Indonesia earned significantly less than those in Malaysia even though the CPO was sold at the same international rate in both countries. The lower wages in Indonesia can be viewed as another incentive offered to industry by the government that seeks to maintain a favourable climate for investment at the expense of offering, what Tarigan calls a decent and fair living wage. It was noted earlier that PTPN XIII and BHD compete with each other for labour and generally lose out to the higher paying *plasma* farmers during harvest cycles. Instead of raising the daily rate of

pay to address the labour shortages, they will tend to hire labour brokers who will make arrangements to bring in new labour from other areas under casual labour contracts. With the exception of company workers at PTPN XIII, new employees are not offered housing benefits, nor are they entitled to any health or pension benefits either, which lowers the bar considerably for potential workers brought in from outside West Kalimantan. The BHD workers housed at Barrack 20 who presently live in dismal conditions and continue to wait for well water promised decades ago, have been incorporated into the industry under adverse conditions and retain no bargaining power with the company. On both oil palm concession sites, the adverse incorporation of labour and smallholders is maintained and reinforced by power relations and social dynamics that are grounded historically and have essentially become entrenched within regional and national institutions.

In order to understand the relationship between poverty and adverse incorporation, it therefore becomes necessary to "explore not only the relational basis of poverty, but also how such relations become institutionalized in ways that ensure their effects are reproduced over time" (Hickey and du Toit 2007, 19). The introduction of large-scale oil palm plantations in the area starting with the state-led PTPN XIII came with the coercive elements of the military, the local police, and village leaders (*adat* and *desa*) which ensured that socialisation processes could be effectively by-passed and *inti-plasma* schemes could be implemented through the adverse incorporation of transmigrant and later local villagers. The overt use of social and political power to undertake

development initiatives was characteristic of the New Order era under Suharto and became entrenched within regional and local political systems that sought to maintain its authority and control over resources for personal or private gain to the detriment of the local population. In other words, the political power that allowed for the appropriation of large expanses of *adat* land in the initial stages of oil palm development, is also in step with how, under decentralisation, the regional government head (*bupati*) is able to issue HGUs without legal authority within a system that consents and condones the by-passing of the rule of law to maintain the status quo as directed by central national government. It is this same political power structure, supported locally by various groups of elites, that resorts to the use of force to prevent or dismantle legitimate protests and acts of resistance as in the case of residents of Kuala Buayan who are seeking a resolution to the 700 *kaplings* that have yet to be redistributed by BHD. These social relations that support the interests of private (domestic or transnational) and state-led agribusiness ensure that smallholders and workers are adversely incorporated into the industry, and that only minimal taxation is paid in the form of a three percent CPO export tax that goes directly to the central government with no direct benefit to local communities. These same institutionalised political, economic, and social relations are also at work in Sanggau district through the promotion of 80:20 *inti-plasma kemitraan* schemes that will transform peasant farmers into a wage labour force that has lost complete control over private and communal village land. If we consider that more than half of all Indonesians confront poverty, which includes in addition to daily earnings, lack of access to basic

services, adequate infrastructure, and access to social and political processes,[106] it is possible to see how rural chronic poverty is perpetuated in the Meliau subdistrict in light of how inclusion/exclusion and adverse incorporation are fundamental attributes of the expanding oil palm sector.

5.3 Neoliberal Land Policies and Accumulation by Dispossession in Meliau

Neoliberal land policies are centered on the privatisation of land and the securing of clear and individualised property rights as a means of increasing agricultural productivity and reducing rural poverty by providing the poor with greater tenure security and enabling them to access credit needed to make productivity-enhancing investments in land. These policies have been a part of neoliberal and mainstream development initiatives for decades, and they provide the ideological foundation upon which the Commission on the Legal Empowerment of the Poor (CLEP 2008) is established which identifies the formalisation of property rights as one of its fours pillars that are essential to the reduction of poverty in developing countries. In its more recent publication, *Indonesia Rising: Policy Priorities for 2010 and Beyond*, the World Bank (2010, 3) states that in order to move ahead, the country needs to "substantially accelerate the titling of agricultural parcels to increase land security and help farmers participate in land markets." The Bank adds that by accelerating titling of agricultural land, farmers will be able to access credit, make productive investments in technology, and engage in the

[106] Cited from the Asian Development Bank's *Indonesia: Strategic Vision for Agriculture and Rural Development* (2006, 56-57).

production of high-value commodities attractive to domestic and export markets (Ibid., 1). Since 1994, the World Bank has been actively supporting land privatisation in Indonesia through two main initiatives: the first, known as the Land Administration Program (LAP) and administered through BPN, was funded from 1994 to 2000, and the second, LNVPDP coordinated through BAPPENAS, was funded from 2000-2009 (Arsyad 2010). In response to the recent outcry over large-scale investments in land (land grabbing), the World Bank and proponents of mainstream development have proposed a Code of Conduct (CoC) that could effectively mitigate risks to the poor and the environment, while ensuring that transnational investments in land still occur. Though this CoC has yet to be formalised or implemented, it is possible to gauge its potential impact within the context of the field research site in the subdistrict of Meliau. In addition, the land alienation, appropriation, and dispossession that followed in the wake of state-owned and private oil palm plantations can also be analysed in reference to neoliberal land policies to determine their 'pro-poor' effectiveness when applied in a real world setting marked by striking imbalances in social, economic, and political power.

With the Indonesian government acting as proprietor of all forest land through the jurisdiction of the Ministry of Forests, it was able to claim the right to develop 'public land' through oil palm development schemes that overrode all customary rights to *uluyat* lands and dismissing the encumbered rights attributed to communities who were living on the land and had been making productive use of it for generations. PTPN XIII's initial

PIR-TRANS scheme resulted in the dispossession of the local Dayak population and led to the privatisation of land through an *inti-plasma* model that granted ownership of *kaplings* to transmigrants and other beneficiaries of oil palm development. Through a superficially implemented socialisation process, private and communal Dayak land was appropriated with the support of the state machinery that was able to selectively invoke legal authority over the 'public' forest land, while at the same time disregarding its legal obligation to obtain genuine consent from the occupants and users of the land. Though the principles of Responsible Agricultural Investment (RAI) promoted by the World Bank and mainstream development agencies state that the "existing use or ownership rights to land, whether statutory or customary, primary, or secondary, formal or informal, group or individual, should be respected" (FAO *et al.* 2010, 2), in practice, this principle was not adhered to in the past, and there is little indication that it will be respected in the near future given the current frenzy over oil palm expansion and increased investment in land in West Kalimantan. It was only after mounting protests and growing resistance that PTPN XIII agreed to offer *plasma* land to the local Dayak through the KKPA scheme that involved a further surrendering of *adat* land that would then be included in a privatisation process. In this case as well, numerous irregularities surrounding the allotment of *kaplings* allowed for parcels to be disproportionately accumulated by *adat* and *desa* village leaders, as well as others linked to the oil palm company and various local elites. The privatisation of communal land thus led to land grabbing, that was further compounded when a number of recipients of substandard 'failed' *plasma* lots eventually

sold their holdings under the weight of non-serviceable debts. In the context where a development initiative of this nature occurred in a rural environment characterised by highly unequal class structures, the privatisation of land does not necessarily provide security for smallholders who are adversely incorporated into the oil palm sector, and more than likely further incites accumulation of land through land transfers that are oftentimes permanent and work against the poorer segments of rural society.

The BHD concession proved to be even more problematic regarding the privatisation of land through the PIR-TRANS scheme that included a largely failed transmigrant program that precipitated multiple illegal land transfers, in addition to the misallocation of *kaplings* through a flawed mechanism that facilitated land grabbing by the existing village *desa/dusun* and other beneficiaries associated with them. Similar to the development processes of PTPN XIII, a superficial socialisation stage was used to obtain 'consent' from the local communities, which was supplemented by the use of intimidation, coercion, deception, and force to ensure that the concession granted to BHD would be converted to oil palm. Land that was held either privately or communally was transformed into *inti-plasma* land, and the accumulation of privatised *kaplings* initially occurred along several distinct strands that left some individuals in possession of multiple parcels that had been sold illegitimately by transmigrants who left the area, while some received *kaplings* without entitlement, and others still obtained one ore more parcels according to the land they had surrendered to the scheme. The end result at present is

that some 700 *kaplings* have yet to be distributed due to the many flaws and irregularities in the process, and that land currently sits unproductive and largely idle as undeveloped or partially developed *plasma* parcels. The assertion by promoters of a CoC such as Klaus Deininger (2009) that transactions undertaken by local government are more transparent in that they bypass corrupt national governments[107] overlooks the fact that local governments and their capitalised allies oftentimes have more to gain personally from such ventures, and that the rural poor are just as vulnerable, if not more, through local social structures that keep them marginalised. Moreover, the assumption that transactions among 'multi-stakeholders' is a solution to land grabbing through a voluntary CoC evades the issue of genuine representation and political power as revealed by the field data, and the concept of 'partnerships' between agribusiness and smallholders embodied within CoC model remains depoliticised and unrealistic where the poor generally lose out and the processes favour TNCs and their local allies (Borras and Franco 2010b, 519-20). The BHD oil palm concession left a significant number of local villagers dispossessed from their land and who are still waiting for a *kapling* through a land privatisation development scheme that has yet to bring them any benefits and has further compromised their ability to pursue a more secure livelihood.

[107] Transparency International rates Indonesia 2.3 out of 10 on a corruption scale that places it 37th from the bottom of listed countries. A study conducted by the World Bank determined that companies spend the equivalent of 40 percent or more of their paid taxes in bribes (Marti 2008, 21).

When considering the issue of clearly defined property rights allowing rural landholders the ability of transforming 'dead' capital into productive land through access to credit, the findings in Meliau subdistrict are mixed and reveal uneven outcomes that point to the need for a more textualised analysis than the individualisation thesis advanced by neoliberal land policies (Fortin 2005). There are certainly oil palm smallholders that were able to obtain credit through formal financial institutions that enabled them in turn to purchase additional *kaplings* and invest in intensive fertilizer use to boost production and accumulate greater surplus. In Cempaka, as in other research sites, however, many peasant farmers had yet to receive their titles, and because of the *amparan* system that tied farmers into a *plasma* block that released titles only once *all* the farmers had paid their debts to the company, many smallholders are likely never to receive their titles given that a large number of parcels fall below industry standards for optimal production. This block system becomes another mechanism employed by the oil palm companies that adversely incorporates *plasma* smallholders into the oil palm sector. There is also the complicated issue of land titles on the BHD concession where the actual 'owners' of the land have titles issued in the names of transmigrants as a result of complex, illegitimate selling of parcels as transmigrants left soon after arriving in the area, or trading of *kaplings* amongst transmigrants and local villagers, or even the reclaiming of land by locals once the transmigrants left. The actual holders and users of there parcels would be unable to access credit due to the mismatched names on the titles and do not fit the neat and tidy neoliberal land model. Another important point to consider is that women are

generally denied the opportunities that come with access to credit through titling schemes given that land is typically only registered in the name of the male head of the household. In this context women are unable to secure a better livelihood that could be derived from credit access, in addition to having lost access to that was informally used through communal systems, which places them at a disadvantage on two counts under the narrowly defined mainstream model. And finally, a fundamental flaw in viewing land and property rights strictly in terms of commodity and land markets is that in reality, landed property rights are not things, but are in fact social relations that are linked to dynamic processes of wealth creation that sustain diversified rural livelihoods (Borras and Franco 2010a, 9). Neoliberal land policies fail to capture this essential feature of rural communities in the developing world by labelling 'dead' capital, real and tangible assets that allow for households to maintain sustainable livelihoods and avoid falling into precarious states of impoverishment.

Proponents of neoliberal land policies point to the four pillar CLEP model for poverty reduction strategies, hail a voluntary CoC as a means of managing problematic governance issues associated with large-scale land deals, and offer principles of RAI as a guideline for investments, yet all fail to genuinely protect the interests of the poor for a host of reasons. CLEP represents neoliberal ideology that celebrates markets, entrepreneurs, private property rights, and the rule of law, while ignoring existing power relations that maintain rural poverty and the capacity of those who wield power to by-

pass the rule of law or selectively implement judicial outcomes that favour the interests of the ruling class (Banik 2009). In Sanggau district, the *bupati* regularly issues illegal HGUs without following the legally required socialisation process, and in a recent case, had authorised a concession to SJAL in an area neighbouring our research site which the *camat* in Meliau had refused to authorise. The oil palm company had nonetheless cleared the land, started plantation development, and had dispossessed the local villagers of their land without proper consultation or negotiations (Li 2010c). In a similar vein, the CoC is being promoted in tandem with the notion of developing 'reserve agricultural land' that is expected to lead to more dispossession in the name of transforming 'marginal land,' and even if FPIC is obtained on paper, it is rarely observed in practice, and the privatisation of land in no way guarantees protection against dispossession (Borras and Franco 2010b, 519-20). The privatisation of land on the BHD concession is a case in point where a decade later, villagers are still waiting for their *kapling* entitlements. The recently published World Bank document, *Rising Global Interests in Farmland,* on the one hand, acknowledges that the failure to recognize local land rights is a major social issue and that the risks associated with large-scale investments are immense, yet, on the other hand, points to how these risks correspond with equally large opportunities while calling upon investors to proactively engage in adequate farming arrangements that also recognise local land rights (2010b, 102-103). Herein lays a fundamental aberration within the mainstream neoliberal development model: capital interests in pursuit of profit in investment climates where weak governance prevails will voluntarily and proactively

consider the interests of the rural poor that may in fact compromise the year-end balance sheet. As noted in the principles outlined in RAI, "increases in company and shareholder value will always be the main concern in any for-profit endeavour," (FAO *et al.* 2010, 13), meaning that the poor will continue to lose out in a highly skewed capitalist system of production and trade that single-mindedly attends to ever-growing capital accumulation that includes, as a sideshow, an inadequate trickle-down approach to address the needs of the rural poor.

The current oil palm boom that is driving the current 'land rush' in West Kalimantan and in other parts of Indonesia is serving to rescue capitalism from its inherent bust and boom cycles linked to the deeper problem of over accumulation, and is helping fuel an expansion into new areas along the lines of what amounts to accumulation by dispossession. Though Marx argued that primitive accumulation was a pre-cursor to capitalist modes of production which involved a violent process of enclosing the commons and expropriating agrarian producers from the soil, David Harvey (2005, 2006) has argued that the twin processes of exploitation and dispossession have in essence become internalised within the present-day predatory variant of neoliberal capitalism that continues to rely on force, fraud, or predation in pursuit of new sources of wealth and capital accumulation. This process includes the commodification and privatisation of land, the forceful expulsion of peasant populations, the conversion of various property rights into exclusive property rights, the suppression of rights, and through the "sheer

exhaustion of possibilities", the seeking out of fresh sources of labour power. In the subdistrict of Meliau, local peasants and indigenous people formerly engaged in mixed farming practices that included producing rubber for commodity markets have subsequently been transformed, oftentimes by force and without informed consent, into smallholders and wage labourers that largely serve the interests of state-owned or private oil palm companies. The development of the plantations has in the past, and continues to do so today in the context of regional policies aimed at attracting domestic and foreign investors, incorporated each of these elements outlined by Harvey under the framework of a neoliberal model of capitalist development that claims to be centered on smallholders and the reduction of rural poverty. In a glaring contradiction of principles noted in the World Bank's recent five pillar 'Action Plan' for investment in the oil palm sector that places smallholder farmers at the centre of each pillar (WB 2010b)[108], the current *kemitraan* 80:20 *inti-plasma* model that is being promoted in Sanggau at the request of the industry has all the land managed by the estate with local villagers, who have surrendered their land to the scheme, working as wage labourers exclusively. In this regard, resistance to neoliberal capitalism is of a dual nature that involves struggles against dispossession and class struggles characteristic of the labour process (Harvey 2006).

[108] The five pillars are: 1)Raising productivity; 2) Linking farmers to markets; 3) Facilitating agricultural entry and exit; 4) Enhancing environmental services; and 5) Sustainability (WB 2010b, 7).

5.4 Rural Politics, Conflict, and Resistance in Meliau

Meliau subdistrict was the site of all three forms of politics referred to by Kervliet (2009), namely official, advocacy, and everyday which took a specific form depending on the setting and the issue or issues that formed the point of contention for a particular group. The outstanding land conflicts that revolved around *kaplings* that had not been distributed to the local villagers was an overarching major area of contention on the PTPNXIII and BHD concessions, and active blockades were ongoing in Meliau Hulu and Singkuan Daok each respectively located on either side of the Kapuas River. This form of advocacy politics that involved "direct and concerted efforts to...criticise and oppose authorities" (Ibid., 232) was directed at both the state-owned and private oil palm companies with the protesters arguing that since the companies had yet to provide them with their entitled *plasma* parcel, they, in turn, were not entitled to access their *inti* (Li 2010c). In this instance, 15 people were arrested and fined, though they refused to pay, and when the police came to arrest them, the villagers blocked their way and prevented the arrest from being executed resulting in a standoff. Advocacy politics in the form of a threat also came into play when smallholders on the PTPN XIII issued an impending threat of a blockade to the company managers if a detailed accounting of their outstanding *plasma* debt and accumulated credits was not forthcoming from the KKPA (Ali 2010). The company said they would look into to the matter, which is a response that local villagers are quite accustomed to, though it is clear that their patience is wearing thin. A form of advocacy politics of a more horizontal nature has been ongoing

for a number of years and involves Pak Yudi* in Kuala Buayan who claims to have lost 32 hectares to BHD, has not received any *plasma* plots to date, and is therefore preventing the recipient of *kaplings* located on his former land from harvesting the FFBs (Pak Bimo* 2010). This particular conflict has occurred with both parties mutually agreeing to the temporary solution, but the underlying land conflict remains, and so far neither the BHD, nor the local *kades* has been able or willing to resolve the issue.

A number of instances of everyday forms of resistance also took place on both plantation sites that could be described as "weapons of the weak" first defined by Scott and which take "the form of passive non-compliance, subtle sabotage, evasion, and deception" (1985, 31). In these instances, the point of conflict centered on the nature of the agreement between smallholders and the oil palm company whereby "the contract functions simultaneously as a means of subordination and a point of resistance" (Watts 1994, 65). Smallholders in one area of Kuala Buayan were including significant quantities of lower grade oil palm fruit with their regular harvest which generally went undetected by the company and earned them a much higher return at the end of the month where their weigh slips from the KUD indicated only payment by gross weight. In this manner, smallholders felt they were getting even with the BHD that was, in their assessments, cheating them of a fair return on their harvests and had cost them considerable lost earnings over the years because of the poor road conditions that they refused to address (Semedi 2010). On the PTPN XIII concession, some smallholders felt

they were exploited by the company, so for a time they sold their FFBs to a third party broker who paid them slightly less per kg, but gave them cash on the spot (Ali 2010). However, to prevent this from happening, the company resorted to hiring the local police force to patrol the plantation are to ensure that the *plasma* fruit was making it the processing mill without the use of intermediaries. Michael Watts termed this form of everyday resistance 'tactical resistance' that could include the adulteration of produce, such as adding stones to the harvest to increase weight, or involve the selling of produce in a parallel or in spot markets that he labelled as leakage (1994, 66).

An interesting aspect of official politics that was occurring in Meliau subdistrict had to do with power struggles within government institutions themselves, and also between the government and the oil palm companies, that adds some texture to the often-made assumption that the state represents a cohesive part of the social elite that scratches each others backs. Pak Untong, secretary to the *camat* in Meliau shared how his office recently refused to sign a new HGU concession granted by the *bupati* in Sanggau to the domestic private company SJAL (*Sumatra Jaya Agro Lestari*) because the company had not made any commitments to the farmers and there had been no *socialisasi* process witnessed by representatives from the subdistrict (Li 2010c). SJAL argued that it already had the agreement of the KUD, though Pak Untong pointed out that the KUD was the company's own instrument and that it carried no weight with the government of Meliau. In this scenario, the power struggle had little impact from the perspective of the local

villagers given that the company had already cleared the land and simply ignored posted signs warning them to keep out. In another case, the *kades* in Kuala Buayan, Pak Seysukardi, revealed that a legal case against the BHD had been prepared by the *Bupati's* office in Sanggau, the National Land Agency (BPN), and the Estate Crops Department which attested to the legitimacy of the villagers' claim against the company, though the courts had still ruled in favour of BHD (Li 2010c). This incident lends credence to a statement made in 2002 by the UN Special Rapporteur regarding the judicial system in Indonesia where he made reference to endemic corruption that "seeps right from the police, the prosecutors, and to the courts" (Marti 2008, 21). Abetnego Tarigan from Sawit Watch mentioned in an interview that the Ministry of Water in Sanggau district had to deal with serious issue of contamination of the local water due to effluents from CPO processing mills, yet it was having difficulty getting the necessary funds from PTPN XIII and the central government to deal with the problem (Tarigan. 2010). These internal struggles related to official politics within the Indonesian political and judiciary system point to the high degree of influence held by the oil palm industry that engages in money politics with political allies to support oil palm projects that place capital accumulation and profit-seeking ahead of community needs and rural livelihoods.

5.5 Oil Palm in Meliau, West Kalimantan: Opportunity or Threat?

In order to determine the opportunities and threats associated with the rapidly expanding oil palm sector in the area, examining the beneficiaries of the current industry serves an appropriate starting point in this assessment. Clearly, the largest winners in the development of oil palm plantations are the state-owned and private companies, domestic and transnational. Through various *inti-plasma* schemes they are able to appropriate massive forest areas formerly held under customary tenure and benefit, not only from the valuable timber resources that are extracted in the development process, but also from the credit they are able to secure through the privatisation of *plasma* parcels and the smallholder titles they hold in trust until *amparan* debts are paid in full. The oil palm companies are also able to extract surplus accumulation on the labour working on the estate land on a minimum wage established by the government, as well as on *plasma* production through monopsonistic and monopoly relations, in addition to the accumulation that occurs via the KUD and KKPA mechanisms. Given the permissive regulatory climate that promotes the systematic circumvention of Indonesian laws favourable to the industry, a large number of benefits accrue to the oil palm companies. The socialisation processes and environmental impact assessments are avoided or only superficially undertaken, which allows for large-scale development to take place with a complete disregard for the local population and the environment in which they live. In addition, the required five percent of profit that is to return to the regional government and local communities according to PERDA 2004 is not paid, which represents a sizeable

savings for the company and results in severely underfunded infrastructure and public services for villagers and urban centres in the concession area. Moreover, as a result of more than half the HGUs being issued illegally through the *bupati*, companies are exempt from paying land and building taxes to the regional government, representing another savings and incentive for investors. The oil palm industry is a highly profitable one and presently yields the best return on land investment according to Karl Deininger at the World Bank, yet companies are only required to pay a three percent CPO export tax that goes directly to Jakarta which also figures as one of the main beneficiaries of the booming sector. At an oil palm producer meeting held in East Kalimantan, it was reported that last year's national upstream and downstream earnings derived from CPO production was estimated to be US$ 50 billion with the lion's share of the profits being funnelled to domestic and foreign investors (Tarigan 2010).

The oil palm sector also presents opportunities for select government and local elites who benefit directly from their positions of authority and are able to extend those benefits to family members and associated allies. It is common knowledge that government officials, specifically the *bupati,* is able to exact an unofficial issuance fee for HGUs licenses.[109] As revealed in the BHD oil palm concession, the local *desa* and *dusun* in Kuala Buayan, as well as individuals linked to them, were able to profit directly from the development scheme by supporting the initiative that lacked village consent and which

[109] According to the Director General of Sawit Watch this fee is in the range of about IDR 1 billion per 1000 hectares (Tarigan 2010).

netted them undisclosed amounts of money and control over the *kapling* land bank that was in part distributed to unentitled individuals. On the PTPN XIII concession, village and *adat* leaders also benefitted from a disproportionate number of *plasma* parcels, in addition to employment guarantees with the company and on the plantation for members of their families that villagers in general did not have access to (Ali 2010). Company managers, local government officials, and members of the police were also able to benefit from the many 'failed' substandard *kaplings* that were issued in the KKPA scheme at the PTPN XIII site, by accumulating parcels at a low price that now, once restored to industry standard, are yielding high returns. There is also the issue of a skewed taxation system in Indonesia that further benefits the central government at the expense of regional budgets and which involves upper and middle management at the PTPN XIII and the BHD. According to national tax laws, these upper bracket income earners in the oil palm sector are able to register in Jakarta for income tax purposes, which means their tax dollars stay in Jakarta and are not redistributed to the regions where their salaries are actually earned (Tarigan 2010). The process of decentralisation in Indonesia has not rectified this loop-hole which places greater pressure on regional governments to attract investors and enact policies favourable to business as in the case of the latest *kemitraan* schemes. The AAC (BHD subsidiary) concession and other neighbouring plantations in the Ensunak area, for example, are currently in a phase of rapid expansion under this 'partnership' scheme that has triggered land grabbing by outsiders who are purchasing parcels of 50 to 200 hectares as an oil palm investment (Li 2010c). An elite class of local

and external capitalised individuals and groups fall within the beneficiaries that are the 'winners' of the oil palm boom.

Other social classes that have been able to benefit from oil palm opportunities comprise large and small local landowners, transmigrant and local *plasma* farmers, full time and casual *inti-plasma* workers, as well as company employees at PTPN XIII and BHD. In the Kuala Buayan *desas* original holders of large parcels of land and who received a proportional number of *kaplings* according the *inti-plasma* scheme benefitted greatly from the introduction of oil palm and witnessed a ten-fold or more increase in land value when selling parcels to individuals. Successful *plasma* farmers that included transmigrants and local villagers who also received properly developed *kaplings* were also able to obtain good earnings, and in many cases, they went on to acquire additional parcels based on accumulated capital or credit from the bank once they received clear title for their land. There were smallholders, as well, as noted in the research undertaken in Cempaka, who benefitted from extension services and training offered in Parindu that enabled them to make use of high input agricultural techniques which resulted in better net earnings in present high CPO markets. The development of oil palm presented an opportunity for casual and full-time work for local villagers, many of whom were in possession of disposable income for the first time and who invested in consumer goods like motorcycles, cell phones, and other goods. The current labour markets in the area positioned harvesters in a favourable bargaining position, and many workers involved in

the industry reported having better standards of living that exceeded those when they relied on rubber tapping for cash earnings. Plantation workers and processing mill employees were generally able to benefit from regular earnings, which over time, made it possible for them to purchase their own *kaplings* and engage in oil palm production as a smallholder. In addition to these beneficiaries, multiplier effects could also be identified with the increased income that came into communities as local stores (*warung*) attested to higher sales since the arrival of oil palm.

In contrast to the spectrum of opportunities that reach across a wide range of social classes, the oil palm industry has brought with it major threats and devastating outcomes for the poorer segments of rural society that face uncertain livelihoods and prospects for the generations that will follow. The most devastating impact has been the outright dispossession of Dayak communities on the PTPN XIII concessions that find themselves completely hemmed in by oil palm and have lost the ability to engage in mixed farming and traditional land use practices. From an economic and cultural standpoint, many households are experiencing a tragic loss that cannot be recovered through wage labour on a plantation or smallholder oil palm farming on a single *kapling*. The reality for a number of households is that they no longer have a *plasma* holding, they must seek out low paying casual work on *inti* or *plasma* land, and they are unsure of their children's future on land completely transformed by industrial oil palm production. According to data from *Bappeda,* the Regional Development Planning Board, *adat* land in West

Kalimantan has gone from 6.9 million hectares in 2003 to 60,000 hectares in 2006 (Sirait 2009, 26), meaning that the privatisation of land through *plasma-inti* schemes is dramatically altering landscapes and livelihoods for indigenous communities across the province. As with the Dayak who did not provide FPIC for the development of the PTPN XIII concession, similarly, many of the villagers living in the BHD concession did not provide informed consent with a large number experiencing outright dispossession, though of a slight different nature. As a result of poorly managed and corrupt processes that were inherent in the implementation of this project, some 700 substandard, inadequately, and oftentimes remote *kaplings* have yet to be allotted to villagers who are entitled to *plasma* plots and have waited for more than a decade for their allotment. A number of villagers, as well, are waiting for their due *kaplings* from the PTPN XIII company in compensation for *ladang* land that they owned on the north side of the river. On both plantations, local communities experienced a complete, or near complete, loss of access and control over land, and as a result lost the security that came with a once diversified rural livelihood that included mixed agro-forestry practices.

Another significant 'threat' associated with the booming oil palm sector is the manner in which locals and transmigrants were adversely incorporated into relations of production characterised by the PIR-TRANS and KKPA schemes. First, a considerable number of transmigrants who arrived to the BHD site were soon forced to leave the area because they were misled into believing the *kaplings* were already developed and were unable to

wait out the five years or so required to start receiving earnings from their harvested fruit. The transmigrants that provided the labour force for BHD's *inti* land were provided the barest of living conditions, and today they continue to reside in largely dilapidated and neglected housing units that still lack access to fresh water and remains a testimony of the company's lack of concern for its workers. Second, *plasma* smallholders were incorporated in contract farming scheme that lacked transparency and left them vulnerable to exploitation and surplus accumulation at the hands of the oil palm companies that managed their accounts through the KKPA and KUD. Smallholders remained ignorant of the balance owing on their debt, were unclear as to the multiple deductions that were taken from their regular harvests, and were also purchasing their inputs through the KUD that opened up an opportunity for additional graft taken from their earnings. In the end, many smallholders who had expected to complete their payment cycle in about 8 years had not done so 18 years later which left them in a debt cycle they could not break given that replanting would be required by the 25th year bringing in a new series of debt. Moreover, the *amparan* system ensured that even when smallholders had paid off their debts and were entitled to their land certificate, their waiting period for clear title could be protracted indefinitely. And third and major factor in the adverse incorporation of smallholders was in the lack of infrastructure support from the BHD that seriously compromised the *kapling* farmers' ability to maintain productive oil palm parcels as poor road conditions could lead to 50 percent or more of their harvest being rejected by the processing mill. As noted by the *kades* in Kuala Buayan, the BHD

only attend to *inti* roads and provide no roads or services for the *plasma* smallholders. This problem in turn only protracted the debt cycle and resulted in some farmers needing to sell their *kaplings* and seek out livelihood alternatives.

The opportunities and threats linked to the oil palm industry in Meliau should not be viewed in isolation either given that there are important relations between the two that work at a great disadvantage rural communities, and in particular, for the poorer social classes. The vastly disproportionate opportunities for agribusiness in the oil palm sector far outweigh those that accrue to the local elites, yet both these groups conspire to extract the maximum of surplus capital and benefits at the expense of rural communities and those incorporated into the industry, even the successful ones. In this regard, when the positive outcomes for smallholders, local workers, and local communities are considered in relation to the missed opportunity for the development of local infrastructure and public services that are desperately needed in these areas, they become losers as well alongside the rest of the rural population has not been able to directly benefit from the growing industry. The major difference is that villagers, who are not engaged in any way with oil palm production and no longer have access to alternative livelihood strategies of mixed farming and rubber tapping, are the most vulnerable in rural society and are the first to suffer from economic shocks in a system that offers minimal public support to those most in need. This social group is made up of women, children, the elderly and others who are within an excluded segment of the rural community that is progressively

dominated by a single industry that is deepening the divide between the included and the excluded. So while proponents of a "new agriculture" led by agribusiness that forges 'win'win' partnerships with smallholders and rural communities under a mainstream development model, the situation in Meliau speaks of another reality, one in which money politics and the corporate imperative of accumulation team up to deprive large segments of society from their entitlement to the benefits of 'development.' In the context of the most recent investment frenzy that is bearing down hard on the forested areas of West Kalimantan, it is likely that the next wave of 'development' will have an even greater fallout that in previous years in light of new regional policies that are opening the door wide open for agribusiness and oil palm expansion.

Chapter 6: Summary Findings, Implications for Development, and Conclusion

In this thesis, I have examined the political economy of agrarian change in West Kalimantan, Indonesia in relation to the expanding oil palm industry that is linked to the current biofuel boom and global land grabbing. As a process of inquiry, I have sought to determine the impact of the growing oil palm sector on rural livelihoods in Sanggau district where the most extensive expansion is currently underway, in addition to determine how the industry is affecting access to and control over productive resources like land. Specifically, I have examined the social relations through which rural people gain access to, or are excluded from the benefits of high growth agriculture with the intention of understanding the processes and mechanisms that underlie present-day rural differention in the subdistrict of Meliau. The analysis for this research project has been framed within a political economy framework guided by four key aspects of inquiry, namely who owns what?, who does what?, who gets what?, and what do they do with it and how? as first proposed by Henry Bernstein (2010). I have endeavoured to situate my analysis within the current debate surrounding biofuels and land grabbing that places the recent phenomena either as being one of 'opportunity' or of 'threat' with respect to rural communities in developing countries. This research project will thus entail contrasting a political economy perspective with a mainstream neoliberal development model that adopts a 'win-win' approach regarding the latest rise in demand for biofuels and agricultural land.

By undertaking field work in Meliau subdistrict, I have attempted to understand the twin processes of dispossession and incorporation that are associated with the Indonesian oil palm industry and have been sought to answer four central questions. The main research questions are, how and to what extent are oil palm expansion and land grabbing affecting livelihoods and levels of poverty in rural Indonesia?; how, to what extent, and under what terms is peasant dispossession taking place?; how, to what extent and under what terms is the incorporation of peasants into the oil palm sector taking place?; and what are the implications of peasant dispossession and incorporation for rural social differentiation in particular, and for development, more generally? My hypothesis is that the oil palm boom is leading to highly uneven outcomes in rural Indonesia: alongside the wealth that is created, a significant number of peasants and indigenous people are subjected to dispossession and are being adversely incorporated into the industry, both of which are undermining rural livelihoods and are leading to greater incidences of poverty, in particular within marginalised segments of rural society. In the following section, I will provide detailed answers to these key research questions, and in the final section, I will review the main implications for development based on my research findings. I will first being with an overview of the main concepts and theoretical considerations addressed in the thesis before proceeding to the summary findings.

6.1 Overview and Summary Findings

The sharp rise in demand for biofuels, largely stemming from incentives and policy initiatives from OECD countries and elsewhere, is closely linked to the current food,

financial, and environmental crises, all of which are driving a rapid increase in large-scale investments in agricultural land. Mainstream development agencies like the World Bank, IFPRI, the FAO, and others are drawing attention to the opportunities offered by the surge in interest in increasing global agricultural production. They point to agribusiness as leading the way in a 'new agriculture' that will include 'partnerships' between entrepreneurial smallholders who will play an integral part in increasing the productivity of land and supplying the growing demand for food and biofuel feedstocks. Various civil society groups, social movements, and NGOs warn, in contrast, that agriculturally-based biofuels will only drive up global hunger, will not offer a solution to growing energy needs, nor will it address pressing long-term environmental issues. They add that it will ultimately incite a land rush that will displace and dispossess countless rural poor who rely on access to public land, as well as 'marginal' and 'idle' land for their livelihoods which are now all being targeted for potential development. In the case of Indonesia, the oil palm sector is being spurred on by the increase in the global demand for biodiesel and agricultural food products made from palm oil, which has prompted a projected three-fold increase in plantation area across the country over the next decade. West Kalimantan is the site of greatest expansion in the country, 5 million hectares, and the land use changes associated with this increase involve converting existing forest land, as well as land deemed 'marginal' or 'degraded', into monocrop oil plantations under various estate-smallholder schemes. Field research undertaken in Meliau subdistrict across 20 sites that

included five *desas* situated in the heartland of state-owned and private oil palm plantations has provided the empirical data upon which this thesis is based.

In the analytical framework, I have presented the main underlying principles of capitalism and primitive accumulation as outlined by Marx, and I have argued that primitive accumulation has become an embedded process within neoliberal capitalism, and that the term 'accumulation by dispossession' better describes present-day capitalist expansion as noted by David Harvey. The implication is that economic development along neoliberal principles rests upon the use of force, fraud, and predation in the process of appropriation of productive assets. The resistance to neoliberal capitalism therefore becomes a struggle against dispossession, in addition to the class struggles that are characteristics of the labour process outlined by Marx. I have also argued that, though the current global economic crisis is in part linked to Marx's three theories of crisis that describe the characteristic boom and bust cycles of capitalist modes of production, it is ultimately rooted in a crisis of over accumulation (Bello 2007), that in turn, is directly related to the recent interest in agricultural land. The current biofuel boom and surge in large-scale land investments is in essence an attempt to save capitalism from itself and to rectify this crisis of accumulation by extending capitalist modes of production into new areas and new markets. In addition, I have outlined how peasant differentiation plays an integral part of capitalist expansion into subsistence or mixed economies. This process, often violent, involves rendering peasants 'free' from the means of production, namely

dispossessing them from their land, whereby they become 'free' in the dual sense to sell their labour power as a commodity. The development of oil palm plantations has unfolded along similar lines, with the added variant of outgrower schemes, or contract farming, that keeps smallholders subordinated to commodity markets, while at the same institutionalising monopoly and monopsony relations (Mackintosh 1990) thus creating conditions for adverse incorporation. This latter term is used to describe processes of integration into economic and social networks that give rise to poverty, and contract farming under *inti-plasma* schemes in Indonesia, embody the adverse terms of incorporation that lead to exploitation and greater poverty.

The theoretical framework also included an analysis of neoliberal land policies and the land component of the CLEP approach as a model for reducing poverty, both of which are inherently flawed for a number of reasons. The single-minded focus of land privatisation and the need for individualised property rights as a means of reducing rural poverty fail to capture the complexity of social relations embedded within land in a diversity of rural settings, and do not offer a guarantee against dispossession, nor do they necessarily translate into access to credit and investments in land to increase productivity. Similarly, the CLEP model equally misrepresents the causes of poverty as being excluded from the rule of law, when in fact poverty can derive from adverse incorporation into dynamic economies governed by the rule of law (Cousins 2009), and the approach remains 'anaemic' in its analysis of power relations that underlie chronic poverty (Banik

2009). I illustrate, as well how neoliberal land policies fail to consider the impact of their policies on women in rural settings who are often denied holding legal titles to land, yet access land informally and communally which would be lost to them once land became privatised. In this section, I also argue that the voluntary Code of Conduct proposed by the advocates of the neoliberal development model is woefully inadequate in protecting the interests of the poor given the uneven playing field and the imbalances of power that exist between the various actors involved in these transactions. The lack of political analysis by the World Bank on how the Code of Conduct is expected to succeed (Scoones 2010) remains the most critical shortcoming of this proposed solution, and as a result, is most likely to fail in safeguarding against the threats and risks associate with land grabbing. And finally, I underlined how neoliberal globalisation is increasingly becoming a catalyst for growing resistance in the countryside. The oil palm expansion currently underway in Indonesia, which is driven by corporate agribusiness working in tandem with national and local government, is a focal point of escalating conflict as rural resistance manifests as either official or advocacy politics, or forms of everyday resistance.

When considering the research question of how and to what extent the oil palm expansion and land grabbing are affecting livelihoods and levels of poverty in Indonesia, the field work in Meliau has revealed uneven outcomes depending on the degree of participation and insertion in the industry. Successful *plasma* smallholders and larger land owners in

possession of multiple *kaplings* are able to secure significant monthly earnings based on the current high market value of CPO, whether these parcels were obtain through legitimate entitlement or were acquired by illegitimate or coercive means. These peasant farmers and indigenous people who once relied on more meagre earnings derived from mixed agroforestry practices that included rubber tapping have been able to increase their incomes substantially, which has also allowed a number of successful producers to accumulate additional *kaplings* over time. Wealth ranking conducted in the village of Cempaka revealed that 45 percent of the households had one or more *plasma* parcels, and 20 percent owned two or more *kaplings* with some having six or more productive two hectare land holdings, which placed them in the wealthiest social strata of the village. A transmigrant from NTT who came to the area 17 years ago had shared in an interview that by owning a single *kapling* their family was much better off than when they lived in their place of origin as subsistence farmers, adding that they could now afford to send their children to school (Ibu Marianne* 2010). Local villagers were also able to benefit from work opportunities that came with the oil palm industry, be it as casual labourers on *inti* or *plasma* land, or as part of the regular employees at the processing mills in both plantation concessions. The harvesters in particular that were able to perform the more difficult task of cutting the FFBs down and transporting them to the mill were able to gain significant earnings given that their wages was based on the total weight harvested. In additional, the local *warungs* and stores in Meliau where most villagers purchased

their monthly supplies also benefited from the increased earnings that circulated in the area stemming from the oil palm industry.

There were, however, a significant number of villagers who did not own *kaplings* for many of the reasons cited earlier and who were not directly or indirectly involved in the oil palm industry, which left them pursuing more precarious livelihoods and experienced varying degrees of impoverishment. On the PTPN XIII concession alternatives to oil palm as a livelihood strategy had all but disappeared, and those excluded from the sector faced out migration or lived with family members as in the case of the elderly who were too old to take part in labour-intensive agricultural farming. For the *desas* located on the BHD concession, villages furthest away from the Kapuas River remained on the fringes of the plantation and had retained mixed agroforesty practices and rubber tapping, while other villages were only partially involved in oil palm production and kept up traditional practices as well, and a third segment of villages had been completely overtaken by oil palm and lacked access to alternative livelihood strategies. This particular group of villagers were oftentimes among the most vulnerable given that they were excluded from the booming sector and were hard pressed to access land that could provide them with a means of subsistence. They fell into a category of villagers considered to be *pas pasan* meaning they were just getting by, had no means of accumulation, and could make up 20 to 30 percent of a local population. One elderly villager living along the Kuala Buayan River had noted that oil palm was suitable for the young, but was too difficult for the

older generations that preferred rubber tapping as a livelihood strategy that could provided a steady source of income now that rubber prices were high (Semedi 2010). Unfortunately, a large segment of the rubber gardens had been destroyed in the initial development of the BHD concession, and villagers excluded from the sector had to rely on support from family members (moral economy) or on irregular local casual work. Given the poorly funded public services in the area, this group did not have much of a social net upon which to rely, which kept them in a highly vulnerable state of existence.

The second research question related to how, to what extent, and under what terms is peasant dispossession taking place addresses a critical issue because access to and control over land remains the most crucial factor of production when constructing sustainable rural livelihoods. In the process of development of both PTPN XIII and BHD through the PIR-TRANS *inti-plasma* scheme, oil palm plantations came to Meliau with the full support of the state machinery that included coercion, manipulation, and force, which allowed for the appropriation of *adat* customary land and locally-held land that amounted to wide-spread dispossession of a large group of local communities living in the area. Armed with the Basic Forestry Law of 1967, the state was able to claim 'eminent domain' over all forest land regardless of vegetation or current use, which initiated a cumulative and permanent process of agrarian change (White 1989) that reconfigured existing social structures characteristic of state simplifications (Scott 1985) and processes of territorialisation to control resources and local populations (Li 1999). Indigenous

people and local peasants also faced dispossession through a series of processes and mechanisms reflective of corrupt power relations controlled by local elites and the state, embodied in the TP3K task force charged with resolving land disputes and that continues to leave a large number of *kaplings* in the hands of the oil palm companies and out of the hands of entitled local villagers. Within the context of the current *kemitraan* scheme in Sanggau that has reversed the *inti-plasma* ratio in favour of oil palm investors under a new 'one-roof management' model that serves the interests of domestic and foreign capital, peasants and indigenous people face even greater pressures of dispossession. Whether oil palm development takes place under the repressive New Order Suharto regime or in the present decentralised model of governance, villagers inevitably are subjected to the twin hazards of more pervasive state control and reduced bargaining power in relation to local elites (Li 2007). The outstanding issues related to land remain the most contentious in the area and stand out as a critical source of conflict and tension around which rural social movements, peasant movements, indigenous people movements, and civil society rally around in a variety of forms.

Another important feature of this research project is captured by the third question that seeks to address how, to what extent and under what terms is the incorporation of peasants into the oil palm sector taking place. Through *inti-plasma* schemes, oil palm smallholders have been incorporated into the industry under highly adverse terms whereby farmer cooperatives like KKPA and KUD largely serve the interests of the

companies that fund the organisations. The processes and mechanisms inherent within this model of contract farming essentially subordinate smallholders through monopoly and monopsonistic relations with the oil palm company. In addition, *plasma* farmers are not only deprived of a written contract that outlines terms and obligations of the agreement, they also lack any form of transparent accounting on the part of the cooperatives in terms of their ongoing debt, balance of credits, an itemized list (and justification for the regular deductions that are taken from their monthly harvest earnings. As a result, many smallholders have been locked into a protracted debt cycle without understanding or being able to track their earnings through a process that lacks transparency and places them in a highly vulnerable to exploitation. For this reason, the SPKS in West Kalimantan, representing smallholder oil palm farmers and indigenous people are striving to gain control over the cooperatives as an important step in bringing in greater transparency and producer autonomy in the industry (Sirait 2009). A large number of *kaplings* were also not developed to industry standards, which greatly reduced the productive capacity of smallholders and drew them into further debt given that they were still expected to assume the full costs associated with *plasma* parcels and were subjected to regular deductions regardless of their harvest volume. Another critical element of the adverse terms of incorporation for smallholders is related to the poor conditions of the roads within the *plasma* that results in a loss of 50 percent or more in earnings, especially during the raining season, where the company mill rejects FFBs that have spoiled because they were delivered outside the 48 hour window from the time of

harvest. The company attends exclusively to the *inti* roads and transfers the responsibility of maintenance over to the local government which clearly lacks the funding to undertake such a project. Smallholders experience adverse incorporation into the oil palm industry, and the most vulnerable of *plasma* farmers who are unable to sustain these terms and the associated economic shocks that follow are then forced to sell their *kaplings* on oftentimes unfavourable terms that propels them into cycles of chronic poverty.

The final research question refers to the implications of peasant dispossession and adverse incorporation with respect to social differentiation, and a number of key observations can be in the context of the oil palm industry in Meliau. One important implication of peasant and indigenous people dispossession is that a growing number of people who have depended on the access to and control over forest land through mixed farming practices for generations are being either summarily ejected from rural settings or are being transformed into a class of labour in service of capitalist modes of production that deprives them of any autonomy or sovereignty over the construction of a sustainable livelihood. For many who face the possibility outmigration and must exit the agricultural sector following dispossession and with no ability to obtain regular employment in the sector, usually do so under the most adverse of conditions with little prospect of being able to lift themselves out of poverty. These rural poor follow patterns of out migration that often takes them to "urban slums and continued poverty," which is part of the fallout

of World Bank development strategies that aim to "transfer land to the most productive users" that leads to a "migration out of agriculture" (World Bank 2007, 6-9) and which is treated as a reasonable outcome arising from the further penetration of capital-intensive agriculture in developing countries like Indonesia. The development and expansion of the oil palm sector in Meliau that is progressively dominated by agribusiness TNCs has resulted in "shifts in patterns of control over the means of production" (White 1989, 26) through processes of differentiation linked to social power that are widening and deepening the divide between rural social classes and driving increasing numbers into chronic poverty. In addition to the dispossessed peasants and indigenous people, oil palm smallholders who have been adversely incorporated into the industry are also vulnerable in that they become "potential prey for socio-political predators either within or outside of the agribusiness core" (White 1997, 106). These patterns of social differentiation are creating new vulnerabilities as well with respect to women who are excluded from land allocation in their own right, and no longer have access to land on which to pursue diversified livelihood strategies.

6.2 Implications for Development

Field research in Meliau has pointed to a number of key implications for development in reference to policies aimed at reducing rural poverty in the context of the current oil palm boom and the land grabbing that is occurring in the wake of high capital interest in expanding the industry. A first point to consider is that even though large-scale investments are being directed to increasing agricultural production under the rubric of

'rural development and poverty reduction,' it is necessary to examine the processes and mechanisms underlying these initiatives from a perspective of agrarian political economy in order to understand the class-based social, political, and economic dynamics that are transforming rural landscapes in developing countries. The assumption cannot be made that high capital investments in agriculture and in agricultural land will necessarily lead to favourable outcomes for the diversity of communities that depend on access to land for their livelihoods, and in particular the more marginalised and poorer classes of rural society. The steadfastly linear 'modernisation' narrative held by advocates of mainstream neoliberal policies such as the World Bank rests on "a narrow economistic conceptualisation" (Scoones 2010) of agricultural development and fails to acknowledge that the transformation of agriculture along capitalist lines systematically produces poverty alongside the wealth that it generates (Li and Semedi 2009). By adopting a purely economic frame of reference, neoliberal policies conveniently ignore the existing power differentials and the rural social dynamics through which their development initiatives articulate and which lead to widespread dispossession and the exploitation of labour. Ample evidence emerged in the field research conducted in Meliau that social elites working in support of domestic and transnational capital were able to circumvent the law and force through the development of oil palm plantations without the consent of local communities and succeeded in appropriating productive resources that brought little in return to the areas from which the wealth was generated. This approach to development constitutes a rationalisation of how right of ownership changes into the

appropriation of other people's property and how commodity exchange turns into exploitation (Luxemburg 2003). Another critical shortcoming of this neoliberal model is that it not only fails to recognise how such an approach to agricultural development can result in elite capture at the local level, it also justifies this process by pointing to the importance of supporting successful and productive farmers who stood to gain the most from the investment venture, yet who ultimately 'squeezed out' large segments of peasant producers and forced them into greater poverty.

This leads to a second important implication for development based on the Meliau research project that relates to the root causes of poverty that are relational in nature and extend well beyond simplistic models of inclusion and exclusion according to the residual approach that is inherent in mainstream development models. There are a number of fault lines that can be traced in the neoliberal approach to poverty, the first being that it categorically ignores how the capitalist development model ejects large segments of the population as a natural course of events and that results in a reserve army of labour that serves the needs of capital. Even the residual model to poverty reduction fails to acknowledge the scope and magnitude of this by-product of capitalist production modes, and it resorts to strategic policies in an attempt to 'include' some of the fallout in the labour force that it helped create. There was certainly much data obtained in Meliau that pointed to the generation of rural poverty that fit patterns of inclusion and exclusion, but that were nonetheless rooted in the interactions between social classes and the power, or

the lack thereof, embedded within those interactions defined by imbalances characteristic of rural societies. The relational nature of poverty on the plantation concessions was abundantly evident: village leaders allotting *kaplings* to family members and friends, while villagers waited, and continue to wait, for their entitled *plasma* holding; district appointed task forces made up of local elites charged with resolving existing land conflicts, yet are themselves beneficiaries of oftentimes illegitimately acquired parcels; and oil palm companies being exempt from returning 5 percent of their earnings to the local communities where they are based that results in sustained chronic poverty for the entire area, to name a few. In addition, development policies often overlook how poverty is created through adverse incorporation into relations of production that can become institutionalised over time and become a root cause of chronic poverty. In this regard, the complex and multidimensional nature of rural poverty reaches well beyond simple models of inclusion or exclusion found within the residual approach of mainstream development policies.

Finally, central to the current debates surrounding the issue of large-scale investments in agriculture and present-day land grabbing are neoliberal land policies, a voluntary Code of Conduct (CoC), and the Principles for Responsible Agricultural Investment (RAI), which also have important implications for development. I have already illustrated a number of important shortcomings in neoliberal land policies that uphold the privatisation of land and the individualisation of property rights as the solution to increasing

agricultural productivity and reducing rural poverty, though I would like to further examine the CoC that is one of the neoliberal cornerstones of addressing the threats and risks associated with land grabbing. What is utterly perplexing about the latest World Bank (2010b) publication on the topic of rising global interest in farmland is that it outlines a number of examples where rural communities have been dispossessed, unfairly compensated, and suffered a loss of assets as a result of issues related to weak governance and institutional shortfalls, yet it maintains that a voluntary CoC will effectively mitigate and prevent threats against the poor. As Ian Scoones (2010, 6) points out, the Bank's research shows clearly why such principles are unlikely to work, namely lack of capacity, failures of institutional authorities, and corrupt practices to name a few. Moreover, the World Bank need not look to problems of governance in developing countries to determine why a CoC would not work to protect the interests of the poor. In August of 2009, the Bank's own IFC branch was found guilty by the Compliance Advisory Ombudsman of having manipulated internal procedures relating to the social and environmental risks associated with a Wilmar Group oil palm development project Sumatra, which the IFC helped fund, despite it being in clear violation of IFC protocol (Colchester *et al.* 2009). Though the World Bank later announced that it would not issue any new funding for oil palm development until it had formulated a comprehensive strategy to effectively deal with the issue, it is apparent that only cosmetic changes were undertaken given its most recent CoC proposal. And when the RAI (FAO *et al.* 2010, 1) states that investments in agriculture must "do no harm to the environment," it becomes

clear that 'double-speak' abounds in mainstream approaches to development when considering that the oil palm industry in Indonesia involves widespread deforestation and the implementation of high input monocrop industrial agriculture. Such platitudes join a long list of development jargon such as 'sustainability' and 'green energy' biofuels that attempt to create public consent for development initiatives that largely serve to advance the interests of agribusiness TNCs set on extending neoliberal capitalist accumulation deeper into the rural heartland of the global South.

6.3 Concluding Remarks

The emerging biofuel complex that is being driven by OECD government subsidies and supportive policies worldwide is giving rise to large-scale land grabbing by governments and powerful agribusiness conglomerates allied in new North-South-South partnerships. The current Indonesian palm oil complex, which is dominated by TNC giants such as Cargill, AMD-Kuck-Wilmar, and Synergy Drive, is poised to capitalise on the sharp rise in demand for biodiesel and food products derived from oil palm and is set to lead the plantation expansion that is expected to triple in area over the next decade. West Kalimantan is the province slated for the largest expansion, 5 million hectares, and new regional policies in the Sanggau district are aimed at attracting investors and creating a climate favourable to domestic and foreign agribusiness. Mainstream development agencies and neoliberal land policies are aiming to facilitate the process of agricultural development with important consequences for rural communities, and in particular for the poorer segments of rural society that are most vulnerable to capitalist incursions. Field

research undertaken in the subdistrict of Meliau in the summer of 2010 has revealed highly uneven outcomes whereby opportunities and wealth accrue to certain segments of the rural population, while a large number experience displacement, dispossession, and adverse incorporation along patterns of rural differentiation that are sharpening the divide between social classes that are characteristic of the oil palm industry. Sawit Watch reports a steady rise in conflicts related to plantation development across the archipelago, and these conflicts are only to set increase as the expansion of plantations continues at an unbridled pace. Rural social movements, allied with TAMs worldwide are actively engaged in resisting agrarian changes that further undermine rural livelihoods, and they continue to struggle for social and economic justice on behalf of the millions of Indonesians who depend on access to and control over land to sustain their livelihoods. As noted by Marcus Colchester from Forest Peoples Programme, today "communities are more aware of their rights and are prepared to confront those who abuse them" (Colchester *et al.* 2006, 182). It remains unclear how this next chapter will unfold, though it is likely to be marked by contestation and conflict as rural communities in Indonesia claim their right to a better standard of living and fairer share of the wealth being created in the oil palm industry.

Appendices

Appendix A: Sample Questions Used for Interviews with Various Informants

Sample Questions for smallholders:

How many plots of land do you hold?

What is the approximate size?

What crops have you planted on your land?

If you are not planting oil palm, what are the reasons?

If you are planting oil palm – when did you begin to plant these crops?

What are benefits, obstacles and risks have you encountered with these crops?

Do you employ workers? If so, how many?

What is the daily wage?

From where do you recruit them? Do you pay them daily or under contract?

What area your sources of credit for agriculture or personal needs?

What are your other sources of income?

Has your standard of living been increasing over the past ten years, or decreasing? Why?

Sample questions for labourers (migrants, locals):

Where were you born?

(for migrants) How did you come to be in this place?

Tell me about the jobs you have had, in different places, since you first began to work.

How long have you been doing this job?

How did you get your current job?

Do you work alone or in a group?

Who supervises your work?

Are you under a contract to someone, or are you free to move away/to a different job?

Is the work easy or difficult?

Do you think the pay is good, or not good, in view of the kind of work you are doing?

How does it compare to other kinds of work you have done before?

How does it compare to other jobs available in this area?

Do you plan to move to a different kind of work in future?

Sample questions for plantation managers:

What is your job on the plantation?

How long have you been doing this job?

What qualifications and experience do you need for this job?

What are the main difficulties you encounter in your job?

What do you think are some of the benefits that oil palm has brought to this area?

What are some of the costs or risks from oil palm, in your experience?

What are some of the issues you face in recruiting and retaining workers?

What are some of the points of tension inside the plantation at the moment?

How are relations between the plantation and surrounding villages?

Sample questions for advocates and activists, and for government officials:

What is the main area of work of your office/organization?

What is your particular responsibility/expertise?

What are the main areas of contention surrounding oil palm production?

(e.g. land, labour, safety, health, environment)

What parties are involved in helping to solve these problems?

What are the blockages that prevent solutions?

What is your current plan of action towards problem solving?

What has been the impact of the new agriculture on poverty in this area?

Which have been the main parties that have gained, or lost?

What measures could be taken to mitigate losses and spread benefits more evenly?

Who are the poorest/most vulnerable people in this district?

What measures are currently taken to help them?

How well are they working?

What further measures would be needed to significantly improve their situation?

Sample questions for village leaders/elders:

When was this village founded?

What was the landscape here when you were a child?

What kinds of crops were grown?

What have been the changes in the landscape over the years (make a timeline)

Are all the people who lived here in the past still here, or have some moved away?

For those who left - where did they go? When? Why?

When did this new kind of production (oil palm) start in this village?

How did it start?

What happened in the early stages? What happened next?

Is everyone involved in it, or only some people? Why?

Who are the people who have benefited most from this production?

Who are the people who have lost out?

What are the difficulties that villagers here are currently facing?

What measures are the village leaders taking to try to solve these problems?

Who are your allies/helpers in the government, advocacy organizations, among traders or business people, or others?

Sample questions for traders:

What is your line of business?

Where do you get your supplies and/or your capital?

Who are the people who buy from/sell to you?

What kinds of terms do you use (cash, credit, formal agreement, informal)?

Do you work through brokers or intermediaries? If so, who are these people?

How has your business changed since the new crop started in this area?

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