

INFORMATION BRIEF: Malaysia's Response towards European Union (EU)'s Palm Oil Ban

Background

The anti-palm oil campaign which started in Europe in the 1980s raised concerns on the effect of palm oil on health. More recently, the anti-palm oil campaign shifted its focus on environment concerns, specifically the carbon emission and clearing of forest as a result of oil palm planting. This campaign is largely believed to be motivated by clamping down competition from palm oil against vegetable oils, such as soybean and rapeseed oils which are produced in EU. Malaysia and Indonesia, being the two largest producers of palm oil in the world have claimed that the commodity was discriminated and injustice towards palm oil producers.

According to the EU's Renewable Energy Directive (RED)¹ and the passage of the Delegated Act, EU intends to ban palm oil biofuel as unsustainable based on the Indirect Land Use Change (ILUC), which is the unintended consequence of releasing more carbon emissions due to the replace of food crops to biofuels production.² The anti-palm oil campaign in the European countries could bring negative impacts on the planters' source of income, the downstream activities and products of palm oil, and trade activities of Malaysia.

The annual report of the export of Malaysia palm oil to EU countries overall had dropped from 2,059,207 tonnes (2017) to 1,991,548 tonnes (2018), to the extent certain EU countries such as, Slovenia, Latvia, and Lithuania have completely stopped import palm oil from Malaysia.

Malaysia realised the seriousness of anti-palm oil campaign in EU and has took several initiatives to counter it. **Domestically**, a series of programmes and activities have been organised, such as:

¹ CPOPC: EU Delegated Act to ban palm oil driven by political, economic protectionism, 9 April 2019, The Edge Markets, <https://www.theedgemarkets.com/article/cpopc-eu-delegated-act-ban-palm-oil-driven-political-economic-protectionism>

² Indirect Land Use Change (ILUC). http://europa.eu/rapid/press-release_MEMO-12-787_en.htm

1. Malaysian Sustainable Palm Oil (MSPO) certification
2. Inter-Ministries and Agency Collaboration
 - DBKL/ Information Department/ RTM/ Ministry of Tourism/ Ministry of Environment and State Government
3. Collaboration with Private Sector
 - Palm Oil Industry Players
 - Airlines Companies (MAS, Malindo, AirAsia)
4. Malaysia Inbound Tourism Association
5. Tourist Driver Association
 - Visitation to Palm Oil Plantation Programme (Tour Package -Sime Darby Carey – FGV Pahang)
6. Palm Oil Ambassador Club
7. Palm Oil Wall
8. Private Higher Education Institution (KDU, Segi University)
9. Strategic Commercial Space (Langkawi Airport / Ferry Terminal)
10. *Sayangi Sawitku* Campaign and Commercial
 - Digital commercial by the Government and private sector
11. Campaign through mass and social media
12. Encourage palm-oil oriented products to bear logo of “SayangiSawitku” or MSPO
13. Planting for Future
 - Pin Supu Forest Reserve in Sabah
14. Wildlife Conservation
15. Contribution to Wild Life Department of Sabah
 - Survey of *orang utan* and pygmy population

Internationally:

1. Malaysia attempted to negotiate with EU but the outcome remains pessimistic.
2. Malaysia and Indonesia agreed to file a complaint with World Trade Organisation (WTO) once EU adopts the Delegated Act.³
3. Malaysia and other nine members of the Association of Southeast Asian Nations (ASEAN) and EU have issued a joint statement on to upgrade their long-standing relations to denote cooperation on a wider scale. Due to the anti-palm oil campaign in EU, both Malaysia and Indonesia later said that the plan should be put

³ Indonesia, Malaysia send letters protesting EU palm oil curbs, 9 April 2019, Reuters, <https://www.reuters.com/article/us-indonesia-malaysia-eu-palmoil/indonesia-malaysia-send-letter-protesting-eu-palm-oil-curbs-idUSKCN1RL0Y6>

on hold given the EU's treatment of palm oil imports that could adversely affect their global output.⁴

What's next?

Despite a series of measures taken by the government, the outcome remained pessimistic. Instead of reactive approach to EU's campaign, it's time for Malaysia to look into other perspective to address and tackle the fundamental issues within the local palm oil industry:

1. Malaysian Sustainable Palm Oil (MSPO)

- In year 2018, WWF-Malaysia had assessed the certificate schemes between MSPO and RSPO by using the Certification Assessment Tool (CAT).⁵ Based on the findings of the assessment, the MSPO certification has not met the expectations. Below are the categories that need improvements:

Scheme

Definition:

The ability to obtain positive social and environmental impact measures on the grounds and with surrounding communities.

Categories:

- A. Mission and Governance
- B. Setting Standards
- C. Certification
- D. Accreditation
- E. Chain of Custody

- Therefore, Malaysia needs to review and strengthen the MSPO certification. The Ministry of Primary Industries and Malaysia Palm Oil Board (MPOB) must take the initiative to go to the ground and assist the smallholder planters in obtaining the MSPO certificate as most of these planters and smallholders may not be aware of on the procedure to get certification.
- It is noted that the MSPO is just an initial step on the sustainability of palm oil. Malaysia should shows its commitment to achieve RSPO standards and its practices, as it is currently the only credible, international, and independent certification scheme of sustainable palm oil to the global market.

⁴ Malaysia threatens to freeze out EU over palm oil ban, 28 Jan 2019, Asian Review, <https://asia.nikkei.com/Politics/Malaysia-in-transition/Malaysia-threatens-to-freeze-out-EU-over-palm-oil-ban>

⁵ WWF Report Malaysia 2018 RSPO vs MSPO 2018, http://d1k1jvfsq8j7onh.cloudfront.net/downloads/rspo_vs_mspo_report_2018.pdf

2. Scientific research

- EU has conducted extensive research on the health benefits of soybean oil. Similarly, Malaysia should mirror and conduct extensive research on the health benefits of palm oil to counter the anti-palm oil in EU. The research findings could then be published and promoted domestically and internationally.

3. Extensive Research and Development (R&D)

- Innovative ideas need to be explored to utilize palm tree. Malaysia should not only solely focus on the palm oil; instead R&D needs to be done to diversify the usage of palm trees in order to create more value added products. For instance, the trunk of the palm tree could be used to make furniture and the palm tree farms could be converted as a tourist spot for study trip.
- Similarly, the chairperson of Malaysia Palm Oil Board (MPOB) Biology Advisory committee Mr Denis Murphy has also urged Malaysia to avoid a trade war but instead look at rebranding, increasing yields and extending the life span of oil palms.⁶ This shows that extensive R&D is needed to look for innovative ideas to rebrand the palm oil industry in Malaysia.

4. Open New Markets

- It is noted that the Ministry has took the initiatives to expand the palm oil market to other countries, such as Africa and India, but why not Korea? Cosmetic used in Korea is blooming and certain cosmetic products consist of palm oil. However, Malaysia has not export palm oil to Korea before.

5. Build strong alliance with other palm oil industry

- It is important for Malaysia to build a strong alliance with other palm oil industry. Malaysia has engaged with the Europe Palm Oil Alliance (EPOA) on the sustainability of palm oil. Besides, Malaysian Palm Oil Council and Sime Darby are also the participants under EPOA.
- Besides EPOA, Malaysia has also participated in the Support Asia for Sustainable Palm Oil (SASPO). The Malaysia brand, *Ayam Brand* leads in the regional certified sustainable palm oil usage initiative.
- Besides EPOA and SASPO, Malaysia should actively engage with other palm oil industry so that it portrays the seriousness of the anti-palm oil campaign in EU is targeting on the whole palm oil industry, instead of merely on Malaysia

⁶ Malaysia can't win palm oil war, say experts, 14 April 2019, Free Malaysia Today, <https://www.freemalaysiatoday.com/category/nation/2019/04/14/malaysia-cant-win-palm-oil-war-say-experts/>

What is Europe Palm Oil Alliance (EPOA)?

EPOA is a business initiative to engage with and educate stakeholders on the palm oil industry.⁷ EPOA closely collaborates with national initiatives active in the different European countries. EPOA also strongly supports the uptake of 100% sustainable palm oil. The current participants of the EPOA are:

1. Bunge Loders Croklaan
2. Cargill
3. Indonesian Palm Oil Alliance
4. Lipidos Santiga
5. **Malaysian Palm Oil Council**
6. MVO- The Netherlands Oils and Fats Industry
7. Olenex
8. **Sime Darby**
9. Unigra

EPOA recognised the challenges faced by the palm oil industry. To tackle this, the EPOA has suggested several strategies to improve the recognition of palm oil in Europe. As these strategies are based on the European standard, Malaysia should take note of these suggestions as a measure to continue to negotiate with EU. The info graphic below illustrates the strategies suggested by the EPOA:



⁷ European Palm Oil Alliance, <https://www.palmoilandfood.eu/en>

Among the 12 strategies recommended by EPOA, Malaysia has yet to meet the 5 strategies outlined by EPOA:-

1. Monitoring the discussion on nutritional and sustainability aspects of palm oil
2. One uniform reaction statement to address concerns and issues
3. Proactive storytelling of different aspects of palm oil in food
4. Convincing NGO's, Zoo's governments, retailers, manufacturers and other influencers by showing positive impacts of SPO
5. Empower National Initiatives to push for the switch to 100% Sustainable Palm Oil (SPO)

Hence, this reflects that Malaysia first need to do their part to improve the sustainability and qualities of local palm oil before retaliate or counter EU.

What is Support Asia for Sustainable Palm Oil (SASPO)?

SASPO was founded in 2016 by 7 founding members: ASEAN CSR Network, Ayam brand (Malaysia), Danone, IKEA, Unilever, Wildlife Reserves Singapore, and WWF-Singapore.⁸ The alliance is the first business initiative in ASEAN focusing on sustainable palm oil. In 2017, SASPO experienced a 200% spike in new members. The members consists of a great mix of small and medium-sized enterprises (SMEs), local and regional chains, and multinational corporations (MNCs), accounting for 81 brands and 200 food and beverages. In year 2018, SASPO celebrated the new RSPO principle and criteria. SASPO also recognised that the new RSPO criteria represent a more sustainable model of production, clearer audit, and more measurable impact.

Since SASPO has also suggested the credibility of RSPO certificate on the sustainable palm oil, it sends a clear message to Malaysia that there is a need to strengthen the MSPO certificate and committed to move forward to achieve RSPO certificate.

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⁸ Support Asia for Sustainable Palm Oil (SASPO), <https://saspo.org/>