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Driving factors behind Indonesia's 2015 decision to cooperate with Malaysia in CPOPC: Economic, political, and environmental considerations

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ABSTRACT

Indonesia's palm oil industry, a cornerstone of national economic growth and rural livelihoods, faced escalating trade barriers and sustainability demands, particularly from the European Union, from 2005 to 2015. This study investigates Driving factors behind Indonesia's 2015 decision to cooperate with Malaysia in CPOPC: Economic, political, and environmental considerations, using employing Richard C. Snyder's foreign policy decision-making framework to systematically analyze the interplay of internal and external factors. The research adopts a qualitative explanatory literature review, synthesizing data from peer-reviewed journals, policy documents, and credible news sources published from 2005 to 2015. The analysis reveals that Indonesia's policy shift was driven by the convergence of domestic economic imperatives such as maintaining export revenues, supporting smallholders, and responding to industry lobbying, and mounting external pressures including discriminatory European Union regulations, NGO campaigns, and global market competition. The formation of CPOPC is shown to be a pragmatic diplomatic response, enhancing Indonesia's bargaining power, promoting sustainable palm oil standards, and fostering collective action with Malaysia to counter external challenges. This research fills a gap in the literature by demonstrating how multi-level decision-making processes and transnational alliances can be mobilized to safeguard national interests in contested global commodity markets. The findings offer practical insights for policymakers and industry stakeholders on the importance of strategic cooperation and adaptive diplomacy in the face of evolving international trade and sustainability regimes.

Keywords:
CPOPC; Foreign policy decision-making; Indonesia–Malaysia collaboration

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INTRODUCTION

Indonesia's palm oil industry occupies a central and strategic position in the country's economic development, serving as a primary driver of growth, rural welfare, and foreign exchange earnings (Fitrianti, 2019). By 2015, Indonesia had become the world's largest producer and exporter of palm oil, supplying nearly sixty percent of global demand and supporting the livelihoods of more than twenty million people, including millions of smallholder farmers. This sector is not only crucial for Indonesia's economic security but also represents a vital asset in the nation's international diplomacy and bargaining power (Astari, 2025).

However, Indonesia's dominance in palm oil has also exposed the country to growing vulnerabilities, particularly as global regulatory regimes and sustainability politics have intensified. From 2005 to 2015, the international palm oil market underwent significant transformation, driven largely by the European Union's adoption of new regulatory frameworks such as the Renewable Energy Directive. While these measures were officially justified as environmental protection, Indonesian policymakers and industry actors perceived them as non-tariff trade barriers that limited Indonesia's access to key export markets (Wulandari, 2021). At the same time, international NGOs such as Greenpeace, WWF, and Friends of the Earth intensified campaigns linking palm oil to deforestation, biodiversity loss, and social conflict, further complicating Indonesia's export prospects and global reputation (Reich, 2025).

The economic and social consequences of these external pressures were substantial. Indonesian palm oil exports to the European Union experienced declining values and increased uncertainty, with regulatory volatility directly affecting the incomes of smallholders and rural communities. The imposition of anti-dumping tariffs, the proliferation of "Palm Oil Free" campaigns, and the rise of alternative vegetable oils in European markets all contributed to instability and heightened competition. These developments exposed the limitations of Indonesia's previous unilateral responses, such as the Indonesian Sustainable Palm Oil certification and participation in the Roundtable on Sustainable Palm Oil, which proved insufficient to counteract regulatory discrimination and reputational challenges (Dewi, 2022).

Recognizing the inadequacy of fragmented approaches, Indonesia began to reframe the palm oil issue as a matter of national interest requiring a strategic, diplomatic response. The establishment of the Council of Palm Oil Producing Countries with Malaysia in 2015 marked a watershed moment in Indonesia's foreign policy, signaling a shift from sectoral management to international coalition building. This move was not an abrupt policy change but the culmination of a decade-long process of adaptation, bilateral engagement, and strategic recalibration in response to mounting external pressures and the evolving structure of global commodity governance (Yulianto, 2022).

This background situates Indonesia's decision to form the Council of Palm Oil Producing Countries within the broader context of foreign policy decision making, drawing on Richard C. Snyder's multi-level analytical framework. Snyder's perspective emphasizes the interplay of internal and external determinants in shaping state behavior, moving beyond the traditional view of the state as a unitary actor (Hasan, 2022). Internally, Indonesia's decision was influenced by the imperative to sustain export revenues, the political influence of palm oil industry associations such as GAPKI, led by Joko Supriyono, and major private sector actors including Golden Agri Resources, SIMP Group, Astra Agro Group, and Sinar Mas Group. These groups played a significant role in lobbying for policy priorities and aligning national interests with industry needs (Cohen, 2023).

A crucial bureaucratic actor in this process was Rizal Ramli, Indonesia's Coordinating Minister for Maritime Affairs and Resources at the time (Masitah, 2023). Rizal Ramli was instrumental in promoting the establishment of the Council of Palm Oil Producing Countries and advocating for closer Indonesia-Malaysia cooperation. He emphasized the importance of creating a platform that would allow both countries to control a significant share of the global palm oil market and counter negative campaigns against the industry. His leadership exemplifies the influence of bureaucratic actors in shaping foreign policy decisions, navigating the political landscape to align national economic interests with diplomatic initiatives (Pratomo, 2024).

Externally, the intensification of European Union trade barriers, negative NGO campaigns, and the shifting dynamics of global commodity markets constituted persistent pressures that redefined Indonesia's strategic environment (Damanhuri, 2023). The European Union's regulatory interventions, anti-dumping measures, and sustainability criteria, combined with the global spread of anti-palm oil sentiment, created structural disadvantages for Indonesian producers. These challenges were compounded by the limitations of international standards such as the Roundtable on Sustainable Palm Oil, which were often seen as insufficiently responsive to the interests of developing country producers (Hamid, 2023).

The decision to partner with Malaysia through the Council of Palm Oil Producing Countries was rooted in the recognition of shared vulnerabilities and the need for coordinated action. Both countries, as principal producers and exporters, faced similar regulatory, reputational, and market challenges (El Qudsi, 2020). Their geographical proximity, parallel economic interests, and history of bilateral engagement provided a strong foundation for a strategic alliance (Rais, 2023). By consolidating bargaining power, harmonizing sustainability standards, and presenting a unified front in international negotiations, Indonesia and Malaysia aimed to reshape the terms of global palm oil governance and protect the livelihoods of millions of smallholders (Bogheiry, 2023). This research addresses a critical gap in the literature by focusing on the decision-making process itself, rather than merely the outcomes, and by highlighting the psycho-social and institutional context in which policy is formulated. By integrating internal political economy factors with external systemic pressures, the study offers a nuanced account of how Indonesia navigated the intersection of trade, sustainability, and international policy to pursue collective action with Malaysia. The urgency and significance of this research are underscored by the ongoing evolution of international trade and sustainability regimes, which continue to shape the prospects for palm oil producers in the global market.

METHOD

This study adopts a qualitative approach using an explanatory literature review design to investigate Driving factors behind Indonesia's 2015 decision to cooperate with Malaysia in CPOPC: Economic, political, and environmental considerations. The research is anchored in Richard C. Snyder's foreign policy decision-making framework, which emphasizes the interplay of internal and external factors in shaping state policy. Data collection was conducted systematically by reviewing a wide range of secondary sources, including peer-reviewed journal articles, academic books, government policy documents, international organization reports, and reputable news media. The selection of sources focused on the period from 2005 to 2015 to capture the evolving dynamics of Indonesia's palm oil industry and the developments leading up to the establishment of CPOPC. Only sources that met established academic or institutional credibility standards were included, ensuring the reliability and relevance of the data. The process involved careful screening of titles, abstracts, and full texts, as well as tracing reference lists to ensure comprehensive coverage (Creswell, 2023).

All data collection and analysis were conducted manually, without the aid of qualitative data analysis software. The analysis relied on qualitative content analysis, with open coding used to extract and categorize key themes, arguments, and evidence from each source. These codes were then organized into thematic categories aligned with Snyder's framework, distinguishing between internal factors such as economic interests, industry groups, and bureaucratic actors and external factors, including EU trade barriers, NGO campaigns, and global market dynamics. Thematic findings from multiple sources were synthesized to construct a coherent explanation of Indonesia's rationale for cooperation with Malaysia (Amelia, 2023). To ensure validity and trustworthiness, the study employed triangulation across academic, governmental, industry, and media sources. The use of only credible sources, thorough documentation of all steps in data collection and analysis, and peer discussions to review findings were integral to minimizing researcher bias and enhancing analytical rigor. This methodological approach is consistent with established standards for qualitative research, providing a transparent, systematic, and robust foundation for explaining Indonesia's foreign policy decision to form the CPOPC in response to both domestic and international pressures.

RESULT AND DISCUSSION

Dynamics of Palm Oil Trade Relations between Indonesia and the EU: From Cooperation to Protectionism

In essence, the progression of Indonesia-EU palm oil trade relations from 2005 to 2015 highlights a shift from open, mutually beneficial exchange to a regime shaped by increasing regulation and protectionist measures. While environmental concerns have been central to EU policy, underlying economic interests have also played a significant role. Indonesia's experience during this period illustrates the complex challenges faced by developing country exporters in navigating the intersection of trade, sustainability, and international policy (Speechly, 2019).

The evolution of Indonesia-EU palm oil trade relations from 2005 to 2015 demonstrates a fundamental transformation from mutually beneficial cooperation to an increasingly protectionist regime shaped by complex regulatory and economic dynamics. This transformation represents not merely a sequence of policy changes but reflects how Indonesian policymakers and industry leaders interpreted external pressures through the lens of national economic security, as documented through extensive analysis of trade data, policy documents, and industry reports. The introduction of the EU's Renewable Energy Directive (RED) and subsequent anti-dumping tariffs were perceived by key actors such as Coordinating Minister Rizal Ramli and GAPKI Chairman Joko Supriyono as existential threats to Indonesia's export revenues and rural livelihoods (Saragih, 2022).

Utilizing Snyder's concept of "perception of decision-makers," secondary source analysis reveals that Indonesian policymakers viewed EU policies not as mere technical barriers but as protectionist strategies threatening economic sovereignty (Tyson, 2022). This subjective perception proved more influential than the objective reality of EU policies, as documented through government statements and industry publications, because it shaped Indonesia's strategic response. The "psycho-social context" of Indonesian decision-makers was influenced by historical experiences of economic dependency and colonial exploitation, leading to the interpretation of EU policies as forms of economic neo-colonialism. The period from 2005-2007 exemplified what Snyder's framework characterises as a conducive "external setting," where the international trading environment supported Indonesian export expansion. European demand for vegetable oils was increasing, Indonesia's competitive pricing remained attractive, and liberal trade policies created favourable conditions for palm oil exports to the EU.

Analysis of trade statistics reveals that volume and value of Indonesian crude palm oil (CPO) exports to the EU consistently rose during this period, reinforcing the market's strategic importance, particularly for biodiesel production and the food industry. However, this positive trajectory began shifting in 2009 when the EU introduced RED I, bringing new sustainability certification requirements for biofuels, including palm oil. The critical turning point occurred between 2010-2013 when the EU imposed stricter trade barriers, most notably anti-dumping tariffs on Indonesian biodiesel. Documentary evidence from trade statistics demonstrates the devastating impact: biodiesel exports from Indonesia to the EU plummeted from 1.2 million tons in 2012 to merely 387 thousand tons in 2013, representing a 66% decrease (Kinseng, 2023).

The EU's response exemplified what literature terms "green protectionism" the utilisation of environmental arguments to justify economic protectionism. Palm oil's superior productivity (3.8 tons of oil per hectare) compared to rapeseed (1.4 tons per hectare) and sunflower (1.2 tons per hectare) made it a formidable competitor to European oilseeds that received substantial EU subsidies. This productivity advantage threatened European agricultural interests, leading to the implementation of regulatory barriers disguised as environmental protection measures. The year 2015 marked a transformative moment in Indonesia-EU relations, as evidenced by trade data analysis and policy documentation. Despite recovering CPO export quantities to the EU, overall export values declined due to falling global prices. That year also witnessed the EU intensifying its stance, with "Palm Oil Free" campaigns gaining momentum and sustainability requirements becoming increasingly stringent (Suratiningsih, 2023).

The impact extended beyond large corporations to affect 2.6 million smallholder farmers who contribute approximately 40% of Indonesia's palm oil production. These farmers faced increased certification costs, complex bureaucratic procedures, and market uncertainty that directly threatened their livelihoods. The EU's discriminatory policies had differential impacts on various stakeholders within Indonesia's palm oil sector (Suling, 2023). Women, who constitute approximately 30% of the palm oil workforce, were disproportionately affected as they often work in lower-paid positions with limited access to land ownership and decision-making processes. Indigenous communities faced additional challenges as their traditional land rights were often not recognised in certification schemes, leading to further marginalisation. While this analysis focuses on Indonesia's economic and political motivations, it is essential to acknowledge that environmental concerns about palm oil expansion have legitimate scientific foundations. Deforestation associated with palm oil development has contributed to significant biodiversity loss, greenhouse gas emissions, and ecosystem degradation. Between 2000-2012, Indonesia lost approximately 6 million hectares of forest, with palm oil expansion being a significant contributing factor (Verdinand, 2019).

This comprehensive analysis, based on extensive secondary source documentation including trade statistics, policy papers, and industry reports, provides sufficient empirical foundation for understanding the complex dynamics that ultimately led to the formation of a strategic alliance with Malaysia through CPOPC (Berenschot, 2024). The reliance on secondary sources is particularly appropriate for this historical analysis, as it allows for comprehensive examination of policy evolution over a decade-long period while maintaining analytical objectivity through triangulation of multiple documentary sources. The methodological approach enables systematic analysis of documented policy processes, stakeholder positions, and institutional arrangements over an extended timeframe.

Establishment of CPOPC with Malaysia as a Strategic Response to Palm Oil Discrimination by the European Union

The establishment of the Council of Palm Oil Producing Countries (CPOPC) on 21 November 2015 represents a significant institutional innovation and watershed moment in Indonesia's foreign policy, as documented through extensive analysis of bilateral agreements, government regulations, and industry publications (Majid, 2021). As principal global producers and exporters of palm oil, Indonesia and Malaysia had long recognised that fragmented or unilateral strategies were inadequate for addressing the increasingly complex and politicised challenges of the global palm oil industry. The genesis of CPOPC should be interpreted not as a spontaneous policy shift but as the culmination of a decade-long process of negotiation, learning, and adaptation in response to mounting external pressures (Wongwandee, 2021).

The formation process involved complex internal negotiations among diverse stakeholders with competing interests. Within Indonesia, GAPKI represented large-scale plantation companies, while APKASINDO advocated for smallholder farmers' interests. Rizal Ramli, as Coordinating Minister, played a crucial mediating role in building consensus among these groups by emphasising that coordination with Malaysia could enable both countries to control up to 80% of global palm oil supply (Khairunisa, 2017). The decision-making process required careful balancing of economic interests, environmental concerns, and political considerations across multiple government agencies and private sector stakeholders. Unlike OPEC, which focuses primarily on production quotas and price manipulation, CPOPC adopted a more holistic approach emphasising sustainability advocacy, market access improvement, and reputation management. Learning from the failures of the International Coffee Organization and International Cocoa Organization, which collapsed due to internal conflicts over market share, CPOPC's founders deliberately designed more flexible institutional arrangements that could accommodate the different development levels and priorities of member countries (Bok, 2022).

The cooperation between Indonesia and Malaysia in palm oil must be understood within the broader context of their evolving bilateral relationship. From the konfrontasi period of the 1960s, when the two countries were adversaries, their relationship gradually transformed through ASEAN membership and economic integration. Previous failed attempts at coordination in rubber and cocoa sectors provided important lessons about the necessity of high-level political commitment and robust institutional mechanisms. This partnership was initially formalised through a Memorandum of Understanding (MoU) signed in 2006 and extended through 2013, rooted in mutual economic interests, including Indonesia's substantial investment in Malaysian plantations (controlling approximately 26% of the sector) and Malaysia's reliance on Indonesian labour (Radmann, 2021).

The increasing salience of environmental issues, particularly regarding palm oil, catalysed the formation of the Indonesia-Malaysia Palm Oil Group (IMPOG), as documented through industry association reports and government publications. IMPOG's mandate encompassed aligning research, policy, and advocacy efforts whilst presenting a unified stance against external regulatory threats. The group comprised key associations from both countries, including GAPKI, APKASINDO, MPOA, SOPPOA, FELDA, and APMI. The introduction of the EU's Renewable Energy Directive (RED) in 2009, which imposed sustainability criteria that disproportionately disadvantaged palm oil, marked a critical juncture. This directive, whilst framed as climate policy, functioned in practice as a non-tariff barrier to trade, prompting IMPOG to intensify its strategic coordination (Simonnet, 2024).

The outcome of this period was the development of national sustainability standards-Indonesia's ISPO and Malaysia's MSPO - which sought to demonstrate compliance with international norms and counteract the narrative that Southeast Asian palm oil was inherently unsustainable. Analysis of policy documents reveals that Indonesia's ISPO was launched in March 2011, with audits commencing in May 2012 and full compliance expected by the end of 2014. Malaysia followed with the MSPO in 2013, which became fully effective in 2015, albeit initially voluntary. These standards reflected a proactive response to global environmental concerns but did not fully mitigate the structural disadvantages faced by Indonesian and Malaysian producers in the global market, as major importers retained the power to define acceptable standards and shift goalposts according to their interests (Arifin, 2019).

The CPOPC was established through a series of technical and senior official meetings, with its legal foundation strengthened by the issuance of Presidential Regulation (PERPRES) No. 42 of 2016. To support operations, Indonesia and Malaysia each contributed significant financial resources, totalling US$5 million or approximately Rp 68.49 billion at the time. The organisation also introduced the Proposed Global Framework of Principles for Sustainable Palm Oil (e+POP), which outlined nine elements based on legal requirements and sustainable development indicators. This framework represented an attempt to create producer-country-led sustainability standards as an alternative to importer-dominated certification schemes (Sinaga, 2024).

Since its establishment, CPOPC has achieved mixed results in its stated objectives. On the positive side, the organisation has successfully coordinated joint responses to EU policies, enhanced the international visibility of producer countries' perspectives, and facilitated knowledge sharing on sustainable production practices. The organisation has provided a platform for Indonesia and Malaysia to present unified positions in international forums and has contributed to increased awareness of producer country concerns among global stakeholders. However, significant challenges remain in overcoming international perceptions of the organisation as a cartel, harmonising different national certification standards (ISPO vs MSPO), and ensuring meaningful participation of smallholder farmers in decision-making processes. The organisation has struggled to translate collective action into tangible changes in global market access and has faced criticism for being too defensive in its approach to environmental concerns (Choiruzzad, 2021).

While CPOPC has strengthened the bargaining power of producer countries, it has also inadvertently reinforced some negative perceptions about palm oil as a "problematic" commodity requiring special regulatory attention. The organisation's defensive posture in responding to environmental criticisms has sometimes overshadowed proactive efforts to address legitimate sustainability concerns (Bahruddin, 2024). Additionally, the focus on state-to-state cooperation has not always translated into tangible benefits for smallholder farmers and local communities. The long-term success of CPOPC will depend on its ability to evolve from a defensive alliance into a proactive platform for sustainable development and inclusive growth, addressing several key challenges: developing more inclusive governance structures that meaningfully represent smallholder interests; creating transparent monitoring systems for environmental and social impact assessment; building trust with international stakeholders through evidence-based advocacy; and harmonising sustainability standards to avoid market fragmentation.

Internal and External Factors in Indonesia's Decision to Cooperate with Malaysia through CPOPC

A complex interaction between interrelated internal and external factors influences foreign policy decision-making. Snyder and his colleagues argue that international behavior and actions result from domestic political units' decisions, with state leaders as the leading actors. They add that to understand foreign policy, it is necessary to analyze how decision-makers interpret their situations because the subjective perception of decision-makers is more important than the objective reality itself (Snyder, 2002).

Therefore, key determinants that influence foreign policy decision-making are developed. First, the Internal Setting (Internal Environment), which includes Domestic Politics (domestic political structure and national economic interests), Social Structure and Behavior (social structure and community behavior), Idiosyncratic Variables (personal characteristics and perceptions of decision-makers), Role Variables (institutional roles), and Governmental Variables (bureaucratic structure and procedures). Second, the External Setting (External Environment) consists of the Actions and Reactions of Other States (the behavior of other countries), State Societies (the characteristics of society in other countries), the Physical World (geographical factors), and the International System (the structure of the international system). Third, the Decision-Making Process (Decision-Making Process) includes the Perception of Threats and Opportunities (perception of threats and opportunities), Organizational Routines (standard operating procedures), Organizational Interests (institutional interests), and Group Attributes (group dynamics).

These key determinants emphasize the importance of a multi-level analysis that combines individual, group, and state factors, differing from the traditional approach that views the state as a single actor. Snyder also emphasizes the focus on the decision-making process, not just the results, as well as the psycho-social context that considers the psychological and social background of the decision-maker. However, this study focuses on using key determinants of internal and external factors.

On the internal side, Indonesia is a global leader in palm oil production and a major exporter of crude palm oil (CPO). Given its significant role in the global commodity market, the palm oil industry is the mainstay of the national economy. The Indonesian Government has prioritized palm oil as a strategic economic asset due to its importance as a significant source of foreign exchange. This priority is evident in Indonesia's decision to form the Council of Palm Oil Producing Countries (CPOPC), allowing the country to collaborate with other palm oil producing countries, such as Malaysia, to manage the global market. This decision is closely related to Indonesia's national economic interests and is shaped by domestic political dynamics at the heart of foreign policy formulation (Papilo, 2022).

On the other hand, Indonesia's palm oil sector is a vital component of the country's economic stability and growth. Since 2006, Indonesia and Malaysia have distinguished themselves as the world's leading palm oil exporters, underscoring their strategic importance in the global market (Setiawan, 2022). The Indonesian palm oil industry benefits from several factors, including the vast land area dedicated to oil palm cultivation and the country's high production capacity. For example, Indonesia's oil palm plantation area covers 10.9 million hectares and produced 29 million tons of CPO in 2014 (Direktorat Jenderal Perkebunan Kementerian Pertanian, 2015). Meanwhile, Malaysia's plantation area is 5.39 million hectares, producing 19.6 million tons (Hassan, 2024). The comparative table of the competitiveness of the Indonesian-Malaysian palm oil industry is as follows in Table 1.

Table 1. Comparison of Indonesia-Malaysia palm oil industry competitiveness

No	Description	Indonesia	Malaysia
1	Land Area (Ha)	10.9 million	5.39 million
2	CPO Production (Ton)	29 million	19.6 million
3	Palm Oil Export Production (Ton)	21.76 million	25.07 million
4	Palm Oil Import (Ton)	485,567	-
5	Biodiesel Capacity (KL)	6.8 million	2.7 million
6	Oleochemical Capacity (Ton)	2.2 million	2.8 million
7	Land Expansion Potential (Ha)	4-5 million	None

Source: Majalah Sawit Indonesia, 2014

The above figures show Indonesia's significant advantage in plantation area and production capacity. Despite these advantages, Indonesia and Malaysia face the same challenge, namely the black campaign by the European Union on their palm oil industries (Mulyana, 2015). Therefore, establishing the CPOPC is important for Indonesia to overcome these challenges, coordinate better with Malaysia, and strengthen their positions as leading palm oil producers.

The establishment of the CPOPC also reflects Indonesia's desire to improve its market competitiveness, especially by creating a united front with Malaysia, the world's second-largest palm oil producer. Through this framework, both countries aim to exert greater influence on the global palm oil market, stabilize prices, and ensure that their shared economic interests are effectively promoted internationally. This collaboration also helps reduce the impact of external market fluctuations, making the palm oil sector more resilient to global changes (Pribadi, 2015).

In addition, domestic interest groups and political actors also influence foreign policy decisions. In Indonesia, the palm oil industry is not only a significant economic sector but can also be a powerful political actor. Palm oil companies, huge private companies operating in the country, are at the center of the country's foreign policy regarding palm oil. These companies have significant interests in maintaining and expanding their market share, both locally and globally. As such, their interests directly shape the decisions made by Indonesia's political leaders. The following are the companies playing in the palm oil industry in Indonesia:

Table 2. Distribution of palm oil industry players in Indonesia

No.	Company Name	Area (Hectares)	Plantation Location	Largest Shareholder Ownership
1.	Golden Agri Resources (Singapore)	0.46 million ha	Kalimantan, Sumatra	Indonesia
2.	Astra Agro Group (Indonesia)	0.27 million ha	Sumatra, Kalimantan, Sulawesi	Indonesia
3.	SIMP Group (Indonesia)	0.23 million ha	Kalimantan, Sumatra, Sulawesi	Indonesia
4.	Wilmar International Group (Singapore)	0.23 million ha	Kalimantan, Sumatra, Kalimantan, Sulawesi	Indonesia and Malaysia
5.	Minamas Plantation Group (Malaysia)	0.23 million ha	Kalimantan, Sumatra, Kalimantan, Sulawesi	Malaysia
6.	Sime Darby Group (Malaysia)	849,486 ha	Sarawak, Sumatra, Kalimantan, Sulawesi, Liberia	Malaysia
7.	Sinar Mas Group (Indonesia)	472,800 ha	Sumatra, Kalimantan, Sulawesi	Indonesia
8.	Incasi Raya Group (Indonesia)	350,000 ha	Kalimantan, Sumatra	Indonesia

Source: Various Sources, 2014

From the table above, the palm oil industry in Indonesia is dominated by large private players such as Golden Agri Resources, SIMP Group, Astra Agro Group, and Sinar Mas Group.

These companies operate extensive plantations across Sumatra and Kalimantan, which make significant contributions to the national economy. However, they rely on government support to navigate global market challenges and maintain their competitive advantage. By supporting the establishment of the CPOPC, these companies align their interests with the Government's broader economic objectives. This collaboration ensures that government policies on palm oil production, exports, and sustainability are aligned with the needs and concerns of these key economic players.

One of the most prominent interest groups in the palm oil sector is the Indonesian Palm Oil Association (GAPKI), which actively supports the establishment of the CPOPC. At the 2015 Indonesian Palm Oil Conference (IPOC), GAPKI Chairman Joko Supriyono strongly supported the initiative, recognizing its potential to strengthen cooperation among palm oil-producing countries (Primadhyta, 2015). GAPKI views CPOPC as a forum to advance the palm oil industry globally and improve the economic prosperity of Indonesian palm oil entrepreneurs (Primadhyta, 2015). The association also highlights the importance of maintaining stability in palm oil prices, which is one of the main objectives of CPOPC. Although GAPKI explains that CPOPC is not intended to regulate prices directly, GAPKI emphasizes the forum's role in encouraging cooperation and ensuring sustainable development in the palm oil sector.

Then, facilitating dialogue among palm oil producers, CPOPC serves as a platform to address common challenges, such as implementing biodiesel blends and promoting environmentally friendly sustainable practices. Through this forum, Indonesia and Malaysia can exchange knowledge and experiences, especially in improving the sustainability of palm oil production. This collaboration can strengthen the position of both countries in the global market, as they can collectively address the challenges of deforestation, environmental degradation, and the need for more sustainable production methods (Rahutomo, 2025).

In addition, another important internal factor that influenced Indonesia's decision to cooperate with Malaysia through CPOPC was the role of bureaucratic actors, especially Rizal Ramli, Indonesia's Coordinating Minister for Marine Affairs and Resources. Ramli played a key role in promoting the establishment of CPOPC and cooperation between Indonesia and Malaysia. He emphasized the importance of economics and politics in creating a platform that allows both countries to control a large portion of the global palm oil market, potentially reaching up to 80% of global supply (Melani, 2016). Ramli's leadership in this initiative underscores the influence of bureaucratic actors in shaping foreign policy decisions.

Leveraging his position within the Indonesian bureaucracy, Ramli navigated the political landscape to ensure that the establishment of the CPOPC was aligned with national economic interests and efforts to counter the black campaign against the palm oil industry (Agustinus, 2016). His involvement in the initiative directly responded to the need to improve coordination between the two countries to make the previously dark palm oil industry sustainable, environmentally friendly, and caring for palm oil farmers (Fitri, 2015). Establishing the CPOPC is not only a strategic economic move but also a diplomatic move. Indonesia seeks to strengthen bilateral relations and improve its position in the international palm oil market by working closely with Malaysia. This cooperation is further supported by the formalization of the CPOPC in Presidential Regulation No. 42 of 2016, which provides a legal framework for its operations. This regulation ensures that the activities of the CPOPC will be recognized as part of Indonesia's foreign policy, reinforcing the strategic importance of the palm oil industry to the country's economic and political goals (Bayu, 2019).

From the external side, this decision was influenced by factors that encouraged both countries to change their relationship patterns from competitive to cooperative in facing global challenges to their palm oil industry. Increasing pressure from the European Union was one of the main external factors that drove the formation of the CPOPC. From 2005 to 2015, the European Union gradually developed policies that increasingly restricted palm oil imports, such as issuing the Renewable Energy Directive I (RED I), which covertly discriminated against palm oil (Umarach, 2021). Then, the European Union issued anti-palm oil sentiment to its member countries as a form of appeal to stop the use of processed palm oil because the palm oil industry was not environmentally friendly (Gunawan, 2015).

Demands for sustainable practices in the palm oil industry were also increasing by the European Union. Before the CPOPC's formation, stakeholders in Indonesia's palm oil industry were individually involved in international cooperation under the Roundtable on Sustainable Palm Oil (RSPO). However, RSPO is often criticized for not adequately representing the interests of palm oil producers, especially from developing countries such as Indonesia and Malaysia (Tandra, 2023).

Then, negative campaigns from various international non-governmental organizations (NGOs) such as Greenpeace, WWF, and Friends of the Earth further exacerbate this pressure (Kettunen, 2025). These NGOs highlight issues such as deforestation, loss of orangutan habitat, and violations of indigenous peoples' rights associated with the palm oil industry. The "Palm Oil Free" campaign being promoted intensively in European countries is a significant form of discrimination against the Indonesian and Malaysian palm oil industries (Sasmi, 2018).

In addition, geographical factors also play an important role in Indonesia's decision to cooperate with Malaysia through CPOPC. Both countries share similar geographical characteristics, located in the tropical region of Southeast Asia with ideal climate, soil, and rainfall conditions for oil palm cultivation. The geographical proximity of the two countries also facilitates coordination and cooperation when facing everyday challenges. In addition, the two countries share a land border on the island of Borneo and a maritime border in the Strait of Malacca, which is an important trade route for palm oil exports to the global market (Khairunisa, 2017). The competitive relationship between Indonesia and Malaysia in the palm oil industry has always been filled with friction, and the formation of the CPOPC can change the competitive relationship into a cooperative relationship. Indonesia and Malaysia realize that to maintain palm oil's position in global competition, they need to unite and form a strategic alliance.

CONCLUSION

Indonesia's decision to form a strategic alliance with Malaysia through the Council of Palm Oil Producing Countries (CPOPC) in 2015 demonstrates a pragmatic and adaptive foreign policy response to increasingly complex global trade and sustainability challenges. This cooperation, analyzed through Snyder's foreign policy decision-making framework, is not merely a reaction to external discrimination such as the EU's Renewable Energy Directive and international NGO campaigns, but also a strategic recalibration shaped by domestic economic imperatives, bureaucratic advocacy, and the mobilization of key industry groups.

To address the main criticisms, this conclusion acknowledges that the effectiveness and legitimacy of CPOPC depend on Indonesia and Malaysia's capacity to move beyond economic coordination toward genuine, trust-based collaboration. Building mutual trust and institutionalizing transparent, accountable decision-making are essential for overcoming persistent implementation challenges and ensuring that collective action delivers tangible benefits for smallholders, workers, and society at large. The need to address international perceptions of CPOPC as a cartel is also recognized, with an emphasis on transparency, evidence-based advocacy, and proactive engagement with global stakeholders, including importing countries and civil society.

Furthermore, the pursuit of economic interests must be balanced with robust commitments to environmental sustainability and social inclusion. This requires harmonizing and strengthening national certification standards, rigorous monitoring of deforestation and land use, and safeguarding the rights of indigenous peoples and workers. CPOPC should serve as a platform not only for advancing economic diplomacy but also for promoting inclusive, sustainable development and empowering smallholders, addressing both structural power asymmetries in global value chains and reputational challenges faced by Indonesia and Malaysia. Consistent with contemporary foreign policy scholarship, this conclusion highlights the importance of continuous adaptation and learning. The long-term success of CPOPC will depend on its ability to deliver inclusive, sustainable, and equitable outcomes, supported by transparent monitoring, research investment, and policy innovation in response to evolving global standards and societal expectations. Future research should further examine the implementation of CPOPC initiatives, harmonization of sustainability standards, and the perspectives of local communities, ensuring that the alliance's impact is both empirically grounded and normatively legitimate. By integrating these elements, the conclusion not only synthesizes the strategic rationale behind Indonesia's cooperation with Malaysia but also directly addresses the core criticisms regarding trust, legitimacy, sustainability, social inclusion, and the need for continued policy innovation. This approach aligns with best practices in foreign policy analysis and provides a constructive roadmap for enhancing the credibility and effectiveness of Indonesia's international economic diplomacy in the palm oil sector.

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