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Schweizer Bauernverband
Union Suisse des Paysans
Unione Svizzera dei Contadini



Policy document

Palm oil and free trade agreements with Malaysia and Indonesia

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August 2018

Arguments in a nutshell

According to data from the Swiss Federal Customs Administration (FCA), palm oil imports have increased more than eightfold in the last 30 years and increased from 3,500 to 29,500 tons between 1988 and 2017. These figures do not yet include imports of palm kernel oil and palm oil derivatives or the significant quantities of palm oil imported through processed products.

A tariff reduction on palm oil under the free trade agreements with Indonesia and Malaysia would further boost consumption. This would not be the case both for foreign and agricultural policy reasons and for human rights, ecological and health reasons, as the following arguments demonstrate. The palm oil coalition therefore advocates the exclusion of palm oil from the ongoing negotiations with Malaysia and Indonesia.

Incoherence in foreign policy

Switzerland has repeatedly reaffirmed its commitment to improving its foreign policy coherence. Increased imports of palm oil would run counter to this objective. The associated increase in cultivation with its serious social and ecological costs would contradict their obligations under the UN Agenda 2030 for Sustainable Development and undermine the Federal Council's commitment to more sustainable production and consumption patterns. A further increase in palm oil consumption due to tariff preferences granted would also be incompatible with Switzerland's coherence efforts in the area of human rights foreign policy, since the associated expansion of production would also increase the systematic violations of labour and human rights on oil palm plantations.

Nonsense about agricultural policy

With the so-called HOLL rape - a variety with similar processing properties to palm oil - Swiss agriculture has a locally produced alternative to palm oil. With this goal in mind, the Swiss Confederation has also given significant support to the development of this variety. In addition, rape is a central component of Swiss arable farming and is an important crop rotation crop. A further displacement of domestic rape by non-sustainably produced palm oil is therefore in stark contradiction to the federal government's agricultural policy efforts for an ecological and economically viable agriculture.

Human and labour rights under pressure

Various studies have documented serious violations of international labour rights in oil palm plantations, ranging from child labour to forced labour and wage slavery. In addition, the use of highly toxic pesticides affects not only the workers on the plantations but also the people in the surrounding villages. Another problem concerns the disregard of the international rights of the indigenous population in the allocation of land for oil palm plantations. Indonesia's National Land Office alone has registered several thousand unresolved land conflicts between palm oil companies and local communities.

Massive environmental damage

Oil palm plantations are considered the main cause of rainforest destruction in Southeast Asia. In Malaysia alone, the plantations are expanding daily by the size of 500 football pitches. In Malaysia and Indonesia, which produce 85% of the world's palm oil, 150,000 km² of rainforest have been destroyed to date. It has been shown that the oil palm reduces biodiversity more than all other crops, which particularly endangers the orangutan, which only lives in the wild in Sumatra and Borneo. In addition, the fires caused by deforestation and drainage of peat bogs produce huge amounts of CO₂ emissions; in 2015, Indonesia alone produced almost one billion tons.

Health problems

Products containing palm oil can contain problematic substances such as glycidyl fatty acid esters. The highest concentrations of these process-related contaminants were measured in refined palm oil and are also found in baby food containing palm oil. They have a harmful potential and are classified by renowned scientific bodies as "probably carcinogenic". In addition, palm oil is rich in saturated fatty acids, which can increase the risk of cardiovascular diseases. With the increasing spread of palm oil in food and the simultaneous increase in consumption of finished products, this health risk also increases.

Introduction

Since 2014, Switzerland has been negotiating a Free Trade Agreement (FTA) with Malaysia within the framework of EFTA. The eighth round of negotiations took place in March 2017. The FTA negotiations with Indonesia began in 2011. 13 rounds of negotiations have taken place so far, the last in November 2017¹, and according to Seco (Swiss Ministry for Foreign Economic Affairs), both negotiations are well advanced. A key issue, however, is Malaysia and Indonesia's demand for duty exemption for the import of palm oil. In Switzerland - but also in the two Southeast Asian countries - resistance has formed.

Palm oil is on the rise worldwide and is today the most consumed vegetable oil. Its production has almost doubled in the last 12 years, to around 70 million tons today.² Swiss imports of palm oil have also risen sharply - despite a duty of around 100%. Over the past 20 years, imports have more than tripled and now stand at around 30,000 tons.³ Of these, 40% come from Malaysia and Indonesia, where the oil palm plantations are constantly expanding at the expense of rainforests and people.

Against this background, concerned organisations have formed a broad coalition⁴ and called on the Federal Council to exclude palm oil from the planned agreement. More than 20,000 people supported this demand in a petition.⁵ In the event of a duty exemption or reduction, they fear a massive increase in imports of palm oil - to the detriment of domestic oil production and associated with the further destruction of the rainforest and violations of labour and human rights. These fears are also shared by parliamentarians, as the numerous proposals document (see list in this dossier). These include the Motion Grin and the two professional initiatives from the cantons of Geneva and Thurgau, which are currently being discussed in the Council of States.

On the following pages the main arguments - already summarized in the previous short arguments - for the required exclusion of palm oil from the two FTAs are explained in detail. They concern foreign and agricultural policy as well as human rights, ecological and health aspects.

Seco claims that palm oil production would help poorer small farmers in particular and offer the opportunity to lift them out of poverty.⁶ However, this assertion does not stand up to closer scrutiny, as the detailed analysis in the fact sheet for small farmers in this dossier shows. It discusses 10 reasons why small farmers are generally the big losers of the palm oil boom in Malaysia and Indonesia.

In its answers to parliamentary requests, the Federal Council has repeatedly pointed out that Switzerland would have proposed "relevant provisions on sustainable development [...], which also include the palm oil issue" in the negotiations. These include those aimed at the promotion and distribution of goods that, for example, have been awarded the RSPO (Roundtable on Sustainable Palm Oil) certification standard.⁷ The fact sheet RSPO in this dossier takes a close look at the much-criticised label. It concludes that RSPO is far from ensuring sustainably produced palm oil.⁸ Due to weaknesses in content and institutional

¹ EFTA-Website: <http://www.efta.int/free-trade/ongoing-negotiations-talks/malaysia> respectively <http://www.efta.int/free-trade/ongoingnegotiations-talks/indonesia>

² USDA/FAS (2018): Oilseeds: World Markets and Trade (Table 3). <https://www.fas.usda.gov/psdonline/circulars/oilseeds.pdf>

³ EZV (2018): Swiss-Impex, online search "Palm oil and its fractions":

<https://www.gate.ezv.admin.ch/swissimpex/public/bereiche/waren/query.xhtml>

⁴ Following organisations are members of the palm oil coalition: Associazione consumatrici e consumatori della Svizzera italiana, Alliance Sud, Biovision, Brot für alle, Bruno Manser Fonds, Fédération romande des consommateurs, PanEco, Pro Natura, Public Eye, Schweizer Bauernverband, Schweizerischer Getreideproduzentenverband, Uniterre.

⁵ The petition focuses on the FTA with Malaysia, compare Public Eye: "Kein Freihandel für malaysisches Palmöl". Media notice, 19.5.2016. <https://www.publiceye.ch/de/medien/medienmitteilung/kein-freihandel-fuer-malaysisches-palmoel/>

⁶ SRF (2018): "Freihandel mit Malaysia - Streit um Palmöl verhindert ein Abkommen".

<https://www.srf.ch/news/schweiz/freihandel-mitmalaysia-streit-um-palmoel-verhindert-ein-abkommen>

⁷ Compare e.g. "die bundesrechtliche Antwort auf die Motion Friedl" (14.3867).

⁸ This applies especially for the governmental labels ISPO and MSPO (Indonesian, respectively Malaysian Sustainable Palm Oil), which are rated considerably weaker than RSPO (compare Forest Peoples Programme (2017): A Comparison of Leading Palm Oil Certification Standards;

https://www.forestpeoples.org/sites/default/files/documents/Palm%20Oil%20Certification%20Standards_lowres_spreads.pdf)

shortcomings, their goals and criteria are not ambitious enough, the control systems are inadequate, and the sanction mechanism is ineffective.

One of Seco's main arguments in relation to compliance with social and environmental standards is that any violations of these standards can be discussed in the Joint Committees, which supervise the implementation of the Free Trade Agreements. The problem is, however, that the chapter on sustainable development, which contains these standards, is not subject to the intergovernmental mediation mechanism provided for in the agreement. Consequently, unlike the other parts of the contract, no sanctions can be derived from this. States can only discuss this in the above-mentioned Joint Committees if both sides so wish. In addition, these committees are composed exclusively of administrative representatives; civil society is not involved. Although this can reach Seco with complaints; whether these are taken into account, however, is at Seco's discretion.

In a comprehensive study for the attention of the CPC-N, the Parliamentary Administrative Control (PAC) concludes that the activities of the Joint Committees are not transparent: "There is a lack of institutionalised and systematic reporting. Nor is the wording and functioning of the Joint Committees transparent." Thus, the PMC continued, "it is unclear how and on what basis implementation issues on social and ecological issues are dealt with in the Joint Committees".⁹

Finally, it should be emphasised that the organisations in the coalition are not fundamentally against free trade or trade in palm oil. They are simply concerned not to grant preferential conditions to trade in a product which causes massive problems both in terms of production and consumption by means of a free trade agreement. This would be absurd and would contradict other Swiss policies and positions.

⁹ PVK (2016): "Evaluation zu den Auswirkungen von Freihandelsabkommen. Bericht der Parlamentarischen Verwaltungskontrolle zuhanden der Geschäftsprüfungskommission des Nationalrates".
https://www.parlament.ch/centers/documents/_layouts/15/DocIdRedir.aspx?ID=DOCID-1-8784