Meanwhile, DPR Commission XI attempted to safeguard its own influence by arguing that the job could be done more effectively by an internal commission taskforce. This all led to a fudging of the rules regulating the institutional set-up and functioning of the BSBI and the lack of a clear political mandate to carry out its tasks. The president has just instructed its Cabinet Secretary to clarify the working mechanisms between the BSBI, Bank Indonesia, and the DPR. If the great strides that have been taken in the last few years to guarantee BI's accountability are to be kept on track, the smooth functioning of an effective oversight board indeed needs to be prioritised.

Indonesia-Malaysia palm oil alliance: A blow for the economic nationalists?

The announcement of an alliance between Indonesia and Malaysia in the oil palm sector means that the two countries together will now account for 84 percent of the world production of crude palm oil (CPO) and have the ability to control world prices of the increasingly attractive commodity. In a sector that has long reflected the configuration of politico-economic interests in Indonesia, this most recent move also has implications for the economic nationalist agenda, as it relates directly to the dire predications made for the Indonesian oil palm industry in 2001, when one of Indonesia's biggest oil palm plantations was sold through IBRA—the government debt collecting agency created after the financial crisis—to a Malaysian company.

Control of Indonesia's palm oil industry was initially run by state-owned enterprises in the immediate post-independence era. Expansion of the sector began in earnest in the 1960s, as industries in the West began using oil palm as a cheap alternative to crude oil in soaps, margarine, and other edible oils. Around the mid 1980s, President Soeharto made a conscious effort to compete with the much more developed Malaysian oil palm industry by allocating vast swathes of mostly forested land to Indonesian business groups to develop into plantations. Those businesses that gained the most were the familiar "inner circle" conglomerates of the Soeharto era, including Salim, Sinar Mas, Texmaco, and Bakrie. Concessionary credit rates from state banks fuelled the expansion, but with only around 16 percent of the land allocated actually used for plantations, it was an open secret that companies used their plantation permits to simply clear the land of timber and then leave it empty.

Beginning in 1998, the Asian Economic Crisis changed the structure of ownership in the Indonesian oil palm sector in two main ways. First, the unmanageable dollar denominated debts of many domestic conglomerates meant they had to either sell some of their assets or cede them to the Indonesian government in repayment for previous loans. Oil palm plantations were among the assets surrendered to IBRA. Secondly, the policy leverage obtained by the IMF through their provision of emergency funding enabled a raft of economic liberalisation measures to be pushed through, including one that removed existing barriers to foreign investment in the oil palm sector.

A well-publicised controversy erupted in 2001 when IBRA tried to sell a bundle of 25 plantations previously surrendered by the Salim Group to a Malaysian company, Guthrie Berhad. Echoing the recent ExxonMobil dispute, protestations from the DPR delayed the sale for two years amid bitter recriminations that the government was selling out Indonesia's natural wealth. The Malaysian nationality of the purchasing company only served to heighten the controversy in view of the long history of rivalry between the two nations in the oil palm sector. Critics claimed that the sale would effectively hand over control of the CPO market to Malaysia at the expense of Indonesia, while leaving a sizeable tract of land outside of the Indonesian government's direct control.

With this new strategic alliance, it seems that the 2001 predictions of Malaysia's ability to manipulate the CPO market to the detriment of Indonesia have proven unfounded. The alliance rather lays the groundwork for both countries to benefit by working together to set prices and control output.

So what changed in the last 5 years to turn these competitors into partners? Essentially, Malaysia has run out of land for expansion and the high cost of labour is deterring investment there, while Indonesia has a surfeit of both land and cheap labour but a lack of the capital and technical management skills needed to take advantage of these inputs effectively.

In recent weeks the Indonesian government has indeed shown a readiness to exploit its land resources with plans to open up an area of prime forest 2000km-long and 5km-wide in Kalimantan and turn it into a Chinese-owned oil palm plantation. Allegations have again resurfaced that the granting of a plantation permit with the promise of investment and jobs is simply a pretext for the company to harvest the very substantial amounts of timber on the land. Citing a survey from Indonesia's Ministry of Agriculture, environmentalists are arguing that only 10 percent of the land under consideration is actually suitable for palm oil. With regards to the new strategic alliance, it is also interesting to note that this area of land runs along almost the entire border of Indonesia and Malaysia.

While very likely spelling bad news for buyers of palm oil on the international market through a rise in prices, this cartel-like partnership between Indonesia and Malaysia nevertheless shows encouraging signs for the development of the sector in Indonesia. However, with some of the details of this alliance not yet agreed upon, including technology transfer, profit sharing, and reinvestment into the downstream sector, it remains to be seen whether it will finally free the untapped potential of this sector or lock Indonesia into a position of a raw material provider to the better-funded and more sophisticated operations of its neighbour.

New religious decree issued on establishing places of worship

On March 21 the government released a ministerial decree detailing the procedures for the establishment of places of worship. Amid claims by some minority religions that the new decree is discriminatory and likely to heighten rather than diffuse religious tensions, the *Report* details some of its main revisions and analyses their significance.

Compared to the 1969 decree, which this latest decree replaces, the new