Government, Business and Lobbyists: The Politics of Palm Oil in US–Malaysia Relations

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ABSTRACT
This paper reviews how information was utilised by the disputing parties made up of producers and consumer interests in seeking and opposing the imposition of tariff and non-tariff barriers relating to the entry of palm oil into the US market. Information was used in a variety of ways to mould public opinion and influence official US trade policy. Producers, with the support of the Government of Malaysia, countered US efforts by mounting an information-based counter-campaign. This study examines how US-based opponents to the importation of oil palm used information to influence consumer opinion and governmental decision-makers. It goes on to describe countermeasures taken by Malaysian producers. These latter measures included counter-arguments challenging spurious claims made by US-based groups. The paper also reviews the role played, and the positions taken by the US and Malaysian governments. Malaysia, as one of the world’s leading exporter of palm oil, reacted to preserve and protect the interests of various stakeholders in the palm oil industry. Measures taken included greater R&D effort, stronger trade promotion and countering spurious information. This study demonstrates how information was used by disputing parties to shape consumer opinion and develop a case for policy intervention by the respective governments.

KEYWORDS
Malaysia–United States; palm oil; government; business; lobbyists

Introduction
The rise of palm oil as a global strategic commodity in recent years has faced numerous challenges. Malaysia, along with other Southeast Asian economies, has played a pivotal role in promoting the industry. Malaysia was the world-leading exporter of palm oil in 1966 and by 1971 became the top world producer after Nigeria. In 2006, Indonesia surpassed Malaysia as the world’s largest producer of palm oil and by 2008 as the top exporter of palm oil (see Figure 1). The palm oil sector emerged as a major source of revenue, promoting economic development and alleviating poverty in the newly independent economies of Southeast Asia and West Africa. Nevertheless, over a period, this industry was confronted with opposition from various parties. In the early 1960s, the rise in palm oil imports to the US began to attract the attention of competing soy growers. Soy oil lobby cited a number of health risks and launched a well-funded and sustained campaign against palm oil. These were countered by the oil palm growers with counterevidence. The rise of ‘green capitalism’ in the mid-1990s brought about a fresh bout of criticism and
opposition to the industry. Even today, these disputes continue to dominate the discourse on palm oil.

Resource trading has dominated Malaysia–US economic relations, and after the Second World War, these commodities became the source of irritants between the two countries. The US had created an artificial boom in commodity prices when it had stockpiled a host of strategic commodities in the early 1950s. These stockpiles became surplus to its needs as tensions decreased. When the US General Services Administration began releasing their large rubber and tin stockpiles into the world market, these actions led to a collapse in commodity prices. Countries such as Malaysia, dependent on rubber and tin exports, were hit hard. The US also stockpiled palm oil in the 1950s, until scientist at the US Department of Agriculture introduced domestic tallow to replace palm oil in tin plating. Apparently, for the US, local supplies remained a priority, and its strategic reserve policy was indeed far-reaching in particular commodity trading. The Malaysians were fettered because of the absence of the regulation of minimum prices and lack of conservation of resources that impacted employment security and livelihood in general.

When large foreign-owned companies such as Hallet (Franco-Belgian) and Guthrie (British) began the commercial planting of palm oil in the early twentieth century Malaya, post-colonial Malaysia secured and continues to retain its position as one of the world’s largest exporters of palm oil. Unlike rubber and tin, palm oil became fraught with controversy owing to the involvement of various stakeholders from both countries representing government and corporate interests. The stakeholders in the United States were government bodies including the US Department of Agriculture (USDA), Food and Drug Administration (FDA), members of Congress, activists or lobby groups, and personalities. In Malaysia, the stakeholders included government bodies, government-linked companies, and large multinationals, corporate figures to smallholders (see Table 1). The convergence of these stakeholders, political and corporate entities in the US, against trade in palm oil has contributed to an undercurrent of tension in US–Malaysia bilateral relations.
This paper focuses in particular on the late 1980s, during which aggressive campaigns against palm oil were at their peak in the United States. It aims to assess the impact of these attacks on emerging economies by focusing on the case study of the US and Malaysia in general, and the palm oil industry in particular. The scope of this research involves a discussion of the controversies associated with a broad spectrum of stakeholders, both within and outside the industry. This study examines the tension between the developmental foreign policy interests of the executive branch of the US government and the agricultural lobbyists working through the US Congress. This study is unique in its discussion of the role and the dynamics of the government, businesses and lobby groups in providing information to the public and assessing its impact on the palm oil industry and the stakeholders involved.

<table>
<thead>
<tr>
<th>Table 1. Palm oil: stakeholders and their concerns.</th>
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<tr>
<td><strong>Stakeholders</strong></td>
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<td><strong>United States</strong></td>
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<tr>
<td>American Government</td>
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<tr>
<td>(a) Food &amp; Drug Administration (USFDA)</td>
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<td>(b) Congressmen</td>
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<tr>
<td>Individuals</td>
</tr>
<tr>
<td>Phil Sokolof</td>
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<td>Michael Jacobson</td>
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<tr>
<td>Interest groups</td>
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<tr>
<td>National Heart Savers Association (NHSA)</td>
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<tr>
<td>Center for Science in the Public Interest (CSPI)</td>
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<td>American Soybean Association (ASA)</td>
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<td>National Soybean Processors Association (NSPA)</td>
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<td>National Cottonseed Products Association and National Cotton Council (NCC)</td>
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<td><strong>Malaysia</strong></td>
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<td>Malaysian Government</td>
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<td>Ministry of Primary Industry</td>
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<td>Individual</td>
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<td>Datuk Bek Nielsen (United Plantation)</td>
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<td>Government-linked companies</td>
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<td>FELDA</td>
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<td>Government agencies</td>
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<td>Palm Oil Research Institute of Malaysia (PORIM)</td>
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<tr>
<td>Private sector</td>
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<tr>
<td>Malaysian Palm Growers’ Council (MPOGC)</td>
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<td>Palm Oil Promotion Fund</td>
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<td>Malaysian Palm Oil Producers Association (MPOPA)</td>
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Notes: The table outlines the various groups of stakeholders and their interests in the palm oil industry in Malaysia and the United States. Poverty eradication, overall welfare of smallholders, trade revenues and market share were major concerns for Malaysia. In contrast, the United States resorted to trade protectionism to protect its key interests related to concerns about the public health and economic securities of soybean producers. Ironically, in the world edible oils market, it was Malaysia that championed the idea of free trade instead of the United States and its activists.
overall Malaysia–US relations. Information was used and distorted in the guise of promoting or mitigating health concerns; in reality, the campaigns were in support of the adoption of protectionist trade policies to the detriment of the emerging Malaysian and Indonesian economies.

As may be seen in the literature, this cheap and versatile cash crop has played a significant role in the global economy for both its food and non-food uses. There exists a vast literature on the palm oil industry ranging from a general history of the sector, to studies that focus on the industry in Malaysia, to contemporary works on the two top world producers, Malaysia and Indonesia, and their market penetration into the world edible oils industry. A corporate case study perspective is, for example, adopted by Susan Martin, who provides a detailed history of United Plantations and its role in promoting the industry. There has been a shift in the nature of the attacks on the industry. The attacks are no longer based on alleged health hazards but are focused on the damage to the environment posed by the expansion of plantations at the expense of tropical rainforests. Thus, recent works on palm oil are mainly concerned with environmental issues. However, the literature that explores the issues and the challenges surrounding the palm oil controversy in the US is limited and sporadic.

Information and its availability play an important role in creating perceptions about the effect of the industry. Lobbying groups and industry organisations continue to play a dynamic role in shaping public opinion. Public opinion, in turn, influences government actions. In the case of palm oil, the impact has extended to Malaysia–US relations.

While information management is an essential tool in directing the people to make informed decisions, there are concerns that information itself may be inadequate and misguided. Hager and Burton discuss how these groups disseminate different types of information to the public and emphasise the importance of being socially responsible. They also introduced another phenomenon known as ‘manufactured activists groups’, and referred to as ‘astroturfing’, and at times, this was employed as a public relations stunt by big business to propagate their interests and impact on public opinion. This misinformation or propaganda provided by spin-doctors, as argued by Rosenberg, attempts to mislead the public into internalising specific discourses. The notion of ‘bounded rationality’, first mooted by Herbert A Simon in the 1950s, demonstrates the importance of information management and the impact of limited information on the decision-making process. Casson suggests that information suffers from serious quality control issues, which could at times be attributed to dishonesty and the deliberate distortion of information for personal gain on the part of information providers. Casson further recommends that the quality of information be improved by establishing networks to coordinate the flow of information, ‘by diffusing competence, in the form of best-practice techniques, by standardizing language and culture to reduce communication costs, and by encouraging honesty between members’.

In the case of the ‘palm oil wars’, businesses and food manufacturers were misinformed, as well as consumers. Several interest groups set up in the United States, for example, the National Heart Savers Association (NHSA) and the Center for Science in the Public Interests (CSPI) misinformed the American public on the alleged health hazard associated with the consumption of palm oil. Instead, the partially hydrogenated soybean oil or trans fats promoted by these interests groups in the 1980s were later implicated in heart disease. These groups, together with domestic soya producers and their associations
such as the American Soybean Association, advertised extensively in mainstream American newspapers. Authors such as Schleifer and McNamara argue against the ‘misuse of science’ and ‘manipulated perception’ that associated saturated fats in palm oil with heart disease.\(^{15}\)

The Malaysians tackled the propaganda by initiating a campaign ‘to win the hearts of the American people’. With the odds stacked heavily against her, Malaysia had to fight ‘not only the health issue but two-pronged xenophobia resting both on public loyalty to the millions of native soybean growers and public ignorance of palm oil itself’.\(^{16}\) The literature discussing the ‘palm oil miracle’ emerged long after the initiation of the ‘oil wars’ between the two countries. The various palm oil institutes in Malaysia reinforced this ‘palm oil miracle’ and attempted to reach out and print advertisements responding to the propaganda against palm oil in the mainstream newspapers in the United States. Undoubtedly, trade remained an underlying concern for both the Malaysian and US governments.

Even before the ‘oil wars’, irritants existed in US–Malaysian economic relations. These irritants associated with the tin and rubber industries were connected to US government actions and defensive measures by the Malaysian government. The rubber and tin stockpile released by the United States, for instance, triggered a drastic fall in rubber and tin prices. The introduction of synthetic rubber further exacerbated the respective contentions. Instead, the oil palm disputes were largely fought out by industry and consumer groups with governments intervening in reaction to public and industry reactions.

This paper begins with an overview of the rise of palm oil as a strategic commodity in post-colonial Malaysia and the challenges posed by the anti-palm oil campaigns in the United States during the late 1980s. The third section discusses the actions undertaken by the various stakeholders in Malaysia to counter the allegations against palm oil in the United States. Section “Palm oil exports” traces the palm oil exports to the United States and other major countries during the period in purview, and section “Information management and oil wars” presents the concluding remarks.

The period discussed in the paper catalogues two different aspects of the US–Malaysia relationship – cordial and friendly regarding FDI and hostile regarding commodities that are in direct competition with US exports. There has been strong advocacy against imports of palm oil into the United States mainly to protect the interests of domestic soya producers. Conversely, Malaysia as the leading exporter of world palm oil needs to guard its primary source of economic revenue and protect the interests of various stakeholders in the palm oil industry. This study investigates how Malaysia, in safeguarding its highly strategic commodity, countered attacks by influential American ‘soyacrats and oleoactivists’. The interaction of stakeholders, both in Malaysia and the United States, provides a fascinating study of the use, or rather the misuse of information to influence public opinion.

### The rise of palm oil as a strategic commodity

The history of palm oil in Peninsular Malaysia reflects three distinct phases: the experimental period, the development phase and the expansion phase. The pilot stage began around the late 1800s and early 1900s. In 1917, the industry had entered its development phase, and, by 1960, Malaysia had a well-established export-oriented palm oil industry.\(^{17}\) The expansion phase was marked by the response of the government’s diversification policy to combat tumbling rubber prices.\(^{18}\) However, the role of early oil palm plantation
companies mostly owned and operated by the Europeans, mainly British, must not be underestimated. Driven by higher returns and the early maturity, foreign-owned plantations switched from rubber to oil palm. The cultivation area expanded from 100 hectares in 1920 to 20,000 hectares by 1930. With its high yield and its numerous medicinal properties, palm oil became a highly profitable trading commodity in the edible oils market. Meanwhile, trade in rubber encountered severe fluctuations, and in the 1960s, public investments in agricultural research infrastructures increased considerably.

In the 1970s, the Malaysian government furiously embarked on a land resettlement program, by statutory bodies such as Federal Land Development Authority (FELDA), Federal Land Consolidation and Rehabilitation Authority (FELCRA) and Rubber Industry Smallholders Authority (RISDA) established in 1956, 1966 and 1972, respectively. This program intended to alleviate poverty and to boost the participation of Bumiputra (sons of the soil) in a growing economy that became characterised by a strong rentier class, based on foreign and government patronage. The Second Malaysia Plan (1971–1975) embarked on programs for a balanced expansion of the Malaysian economy, heavily dependent as the economy was upon the production of rubber and tin. In the wake of plummeting rubber and tin prices, Malaysia had to reorient itself to rely on palm oil production. Oil palm acreage grew from 320,000 hectares in 1970 to 1.48 million hectares in 1985 and surpassed rubber acreage by 1990 (see Figure 2 and Table 2).

Palm oil rapidly gained political attention, as the revenues generated by its foreign trade enabled the Malaysian government to meet its developmental aspirations. The government successfully resettled 31,000 families on land development schemes by mid-1975, and such programs continued into the Third Malaysian Plan (1976–1980). Furthermore, the land development schemes had a direct, consequential bearing on the enhancement of the agricultural sector, and fostered the participation of (the) Bumiputra in the economy.

Figure 2. Malaysia: planted area oil palm and rubber, 1970–2014 (ha). Source: FAO Statistics (from 1999 to 2011, are unofficial figures).
In line with the role of palm oil as a significant source of revenue for Malaysia, the Malaysian Palm Oil Producers Association (MPOPA) was established to replace the Malaysian Palm Oil Pool, thus moving the centre from London to Kuala Lumpur in 1972. The membership of MPOPA constitutes most of the major producers of palm oil, including foreign-owned plantation companies such as Sosfin, Guthrie, Harrisons & Crosfield, Central Palm Oil Industries and FELDA that worked towards developing palm oil estates in connection with land resettlement program. Government support came with the establishment of the Palm Oil Registration and Licensing Authority (PORLA) in 1974, whose objective was to regulate and promote a highly efficient industry by actively participating in the production of high-yielding seeds, and to coordinate export activities, licensing and reporting. With much lobbying from MPOPA, the government set up an R&D facility in the form of the Palm Oil Research Institute of Malaysia (PORIM) in 1979. Setting up of the Kuala Lumpur Commodity Exchange (KLCE) in 1980 was a further effort by the government to penetrate new markets and facilitate trade. During this period, the Malaysian government began a series of acquisitions of foreign plantations (mainly British-owned) in the 1980s, which significantly accelerated the growth of palm oil industry. Palm oil trade missions were organised by the government to penetrate the international markets and to convince buyers to lower tariffs. Indeed, palm oil became Malaysia’s third most significant export earner by 1986. The palm oil emerged as a commodity of strategic importance to the Malaysian government. According to a report filed by the American Embassy, Kuala Lumpur, developments or events about the palm oil market ‘receive(d) immediate attention at highest levels of government’.

The oil wars

In the mid-1960s, Malaysian palm oil began to penetrate the US markets. Right from its infancy stage, the way that palm oil permeated into the world’s edible oil market received a powerful resistance. Oil palm generated the highest yield per hectare, producing almost 600 percent more oil per hectare in comparison to soybean. Even in the 1970s, there was concern among various parties in the US government (USDA, FDA, congressmen) regarding the increase in palm oil exports to the US and its potential competition in the world edible oils markets. There were calls by Congressmen in soy-producing states to introduce import duties, quotas and palm oil labelling to protect the US soy producers.

The tone of the US newspaper articles that covered news on palm oil imports into the United States was apprehensive. Most of the news articles highlighted the stiff competition that cheap palm oil gave to domestic soy oils in the edible oils market. The mainstream newspapers in Malaysia and the United States extensively broadcast this ‘oil war’. An activist group in the United States published lengthy advertisements on the health hazards in print media outlets to sway public opinion against the use of palm oil by American food companies. The American embassy closely followed the developments in

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Table 2. Malaysia’s agricultural acreage: 1970–1990 (1,000 hectares).

<table>
<thead>
<tr>
<th>Crops</th>
<th>1970</th>
<th>1985</th>
<th>1990</th>
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<tbody>
<tr>
<td>Oil palm</td>
<td>320</td>
<td>1,482</td>
<td>2,030</td>
</tr>
<tr>
<td>Rubber</td>
<td>2,182</td>
<td>1,949</td>
<td>1,837</td>
</tr>
</tbody>
</table>

Source: Adapted from Malaysian Palm Oil Statistics (2001).
the industry and regularly conveyed the various positions taken in Malaysia back to the United States. The embassy staff in Kuala Lumpur struggled in responding to the demands and pressures of the Malaysian government, as well as the private sector against the possible imposition of restrictions on palm oil imports. In a cable sent to US Department of State, the embassy requested guidance in tackling the matter.33

The uproar over the possibility of import restrictions on palm oil was initiated by three main events. The first contributor was the rise in soy production, in spite of its low consumption rates. Soybean production increased by 19 percent, amounting to 41 million metric tons, while total consumption of US soybean was estimated at around 35 million metric tons in 1976. There were reports by the trade press that the assistant secretary of Agriculture, Richard Bell, suggested that the US government negotiate directly with the palm oil suppliers to agree to limit their shipments to the United States. Also, the decision by the US government to sell 40,000 metric tons of cottonseed and soybean oil to Pakistan impacted on Malaysia’s exports of palm oil to Pakistan.34

Proposals on the impending palm oil import restrictions at a time when Malaysia enjoyed close economic relations with the United States generated massive media coverage in all major newspapers in Malaysia. Illinois Agricultural Commissioner, Robert Pud Williams, argued that the production of palm oil in Malaysia and Indonesia would harm the soybean industry, causing serious damage to the balance of payments in the United States and eventually contribute to the rise in food prices.35 Together with Texas, Illinois, Minnesota representatives in the Congress, Williams asserted that the development of the palm oil industry was funded by World Bank loans, and these loans were alleged to have come from American money.36 Tim L. Hall, a representative from the state of Illinois, called for ‘a review and study by the Treasury Department, the Department of State, and the Congress on the guidelines and policies that have allowed US government funds to finance the foreign production of palm oil’.37 Additionally, these representatives intimated that merely restricting palm oil imports would not curb the problem, as the Malaysian producers would then proceed to sell it in world markets, thereby encroaching on the share of soybean at the global level. In response to the query of the US Embassy officials in Kuala Lumpur, the US government admitted the importance of the palm oil economy in Malaysia, and was sympathetic ‘to the progress made by Malaysia in this key sector of society.’38

The US government tried to evade the possibility of a trade restriction by emphasising the need to exercise caution. It asserted that the US was a significant buyer of palm oil, and did not plan to monopolise the edible oil market. However, the uncertainties of the world edible oil market, highlighted in the tenth session of the FAO intergovernmental group on oilseeds, oils and fats, justified precautionary measures regarding the production and supply of palm oil. Consequently, the US government decided that it had to develop guidelines regarding the financing of palm oil projects by international financial institutions. It further sought to negate the influence of domestic soy producers on its policies by referring to the US soy industry as independent of government coordination or intervention.39 The cables, however, failed to mention that these independent producers had a powerful lobby and were able to convince their representatives in Congress to introduce bills to support their cause. Throughout the 1970s and 1980s, there were debates in the US Congress on whether aid should or should not be used to help overseas competitors.
The US government proceeded to block loans to Malaysia, stating that the loans were provided to assist in development based on domestic consumption, and Malaysia failed to qualify, as it exported 90 percent of its palm oil.\textsuperscript{40} As stated earlier, there were calls by Congressional representatives calling for import duties, quotas and labelling of palm oil in food products as measures to protect American soy farmers.\textsuperscript{41}

The US government approved the foreign assistance appropriations bill by citing the fact that ‘none of the funds appropriated or made available to international financial institutions pursuant to this act shall be used by the US representatives to these institutions for establishing or expanding production of sugar, palm oil or citrus crops if the United States is a producer of the same, similar or competing for agricultural commodities’.\textsuperscript{42}

On the other hand, the US administration did not support the palm oil bills pushed (through) by Congressman Dawson Mathis, a bill of serious concern to the Malaysian government. Congressman Mathis sponsored palm oil bills throughout 1977 until 1978. The Malaysian government issued an aide memoire outlining its concerns on the three matters raised by Mathis. The bill outlined the requirement to label palm oil imports into the US, called for the imposition of 3 cents per pound tax on palm oil imports, and initiated a study of the impact of palm imports upon US vegetable oil industry. Mathis further suggested that the US government ‘negotiate bilaterally or multi-laterally agreements’ with palm oil producers and restrict ‘excessive imports’ of palm oil into the country.\textsuperscript{43} The Malaysian government urged the US administration to maintain its policy on the liberalisation of world trade in oilseeds and oil.\textsuperscript{44} Nevertheless, the imposition of a tax on palm oil imports was opposed during the hearings held by the House Ways and Means Committee on Agriculture and International Relations. The Department of State in its response assured the Malaysian government that no further action would be taken by Congress on the other two palm oil bills sponsored by Mathis.\textsuperscript{45}

**Carrying a big stick**

In the United States, industry representatives highlighted the negative impact of palm oil imports on US farmers and the US vegetable oil industry. They implored the US government to use political pressure to restrict palm oil imports into the country. They further suggested that the American Embassy in Kuala Lumpur approach the Malaysian government and urge the latter to limit the additional planting of palm oil. Also, they purported that Malaysia should be advised to seek markets other than the United States for their palm oil exports. They further encouraged the US government (executive) and US vegetable oil industry to offer Malaysia a ‘quid pro quo to influence Malaysia to take suggested actions’.\textsuperscript{46} Finally, they recommended that the discussion between all the relevant parties, including the US government and representatives from Malaysia, Indonesia and other palm oil producing countries, be initiated in Washington to ‘form the basis for agreement on production and export levels’.\textsuperscript{47}

In mid-June 1977, the US Secretary of Agriculture, Bob Bergland visited the Jengka Triangle, one of FELDA’s land resettlement programs devoted to palm oil. The official visit included a stop at the United Plantations, a Danish plantation firm, one of the key players in the Malaysian palm oil industry. Interestingly, an essential outcome of Bergland’s visit was to encourage the Malaysian government to set up an independent Oil Palm Research Institute similar to the Rubber Research Institute of Malaysia which then played a
significant role in countering the ‘scientific’ allegations against palm oil in the US. In addition, there were plans to counter the ‘false propaganda’ by the American soybean industry on palm oil and to set up a lobby group in the United States. Musa Hitam, the Minister of Primary Industry, disappointed with the United States for ‘undercutting’ Malaysian palm oil markets in India and Pakistan, proposed setting up a Malaysian program for needy countries, similar to the US soybean program.49

The approach by the US government towards a highly valued and strategic commodity from an emerging economy like Malaysia was not supported by the president of the EC Commission, Sicco Mansholt, who was more concerned about support towards LDC exports.

He assured me that he was not the least concerned with soybeans, (“to hell with your soybeans”) but he was over palm oil because it is an essential LDC export. He said we don’t need a free trade or even market-determined trade in such products but rather product agreements specifically designed to organize trade in a way to favour LDC exports.50

Personalities and lobby groups matter

In the 1980s, other stakeholders including personalities and activist groups began their campaign against palm oil. CSPI, a consumer advocacy group founded by microbiologist Dr Michael Jacobson in 1971, joined the fray against tropical oils in the 1980s. CSPI suggested trans fats as a minor component of partially hydrogenated fats. They also garnered support for their views by contemporary medical authorities, including scholars, government scientists, agriculturalists and suppliers, many of whom had invested in the research and development of commercial soybeans and partially hydrogenated soybean oil.51 CSPI cited specific scientific studies to support their cause and campaigns.

In 1984, CSPI launched a national campaign against saturated fats (including animal fats and tropical oils) and targeted the use of palm oil by American fast food restaurants in its Fast Food Guide published in 1986.

Most [restaurants] use vegetable oils whose level of cholesterol-lowering polyunsaturated fat has been reduced by processing (hydrogenation). These oils, however, still contain much less cholesterol-raising saturated fat than beef fat, palm oil, or coconut oil. Regarding heart disease, they’re not a bad bargain.52

In 1981, the CSPI published a book by Patricia Hausman on ‘Jack Sprat’s Legacy’ and later in 1988 a booklet on ‘Saturated Fat Attack’, specifically aimed at the ‘dangerous’ tropical oils. This ‘fat-phobic’ centre successfully secured the support of Congress. Congressional hearings by the House Agriculture Committee were held for special labelling of tropical oils in 1987.53 Despite two eminent doctors testifying against these unsubstantiated claims, tropical oils were replaced by soy oil in the American food supply system.54 However, as scientists began to associate trans fats with diseases, the CSPI remained defensive and continued to propagate trans fats as the healthier alternative. However, in a moment of awakening in 1993, Bonnie Liebman, CSPI Director of Nutrition, co-authored an article on ‘The Great Trans Wreck’.55 In this article, CSPI attempted to backtrack in its assertions regarding trans fats being healthier than saturated fats. Nonetheless, the damage was done. By 1990, most American fast food chains had switched to the unhealthy partially hydrogenated vegetable oil produced from soy. This leads to the question of whether all
this was a coincidence and an alliance of convenience. Furthermore, Jacobson admitted that ‘our effort was ultimately joined.... by the American Soybean Association’.56

Another personality that emerged on the front line of the oil wars was Phil Sokolof, seen as a ‘national evangelist of a low cholesterol diet’ in the United States.57 Sokolof, a millionaire industrialist, began a campaign in 1988 known as ‘The Poisoning of America’ after he suffered a major heart attack. He ran extensive newspaper advertisements in the Wall Street Journal, USA Today, Washington Times, New York Posts, and New York Times, among others, that targeted tropical oils – such as palm and coconut – alleging that the saturated fats found in these oils contributed to a high risk of heart disease among Americans. Despite a higher percentage of saturated fat relative to ‘heart healthy’ fats like olive oil, palm oil fat is primarily made up of monounsaturated and polyunsaturated fats. They are known to increase HDL cholesterol (good cholesterol) and enhance cardiovascular function. It is also a rich source of Vitamin A and E, antioxidants and other phytoneutrients. In contrast to animal fat, being a plant source, palm oil and other tropical oils do not contribute to cholesterol.

Sokolof went on to establish the non-profit NHSA. Gradually, Sokolof’s misguided campaign gained traction, and, by early 1989, he managed to convince several major US food manufacturers, including Kellogg, Sunshine Biscuits, Pepperidge Farm, Keebler, General Mills, Ralston Purina, Borden, Pillsbury and Quaker Oats, to stop using tropical oils and replace them with vegetable oils.58 By 1990, Sokolof had apparently spent USD 3 million of his personal wealth financing three ‘The Poisoning of America’ campaigns, each with extensive advertisements in ‘approximately twenty different newspapers and television appearances’. This included a campaign against skim milk and the dangers of cholesterol.59 Sokolof went on to target other giant food manufacturers such as Nabisco, and advertised against Nabisco’s favourite brands of cookies and snacks that contained tropical oils.60 The Los Angeles Times described Sokolof’s campaign as ‘truly a cry from the heart’, and deemed Sokolof as the American saviour, stating that ‘in our big, complex and bureaucratized society, there was indeed a case where one person made a difference, and where an idea had definite and beneficial consequences’.61

Sokolof’s beguiling campaign was propagated by the mainstream media in the United States, which covered his story and urged consumers to pay attention to food labels and avoid highly saturated fats found in tropical oils.62 Sokolof’s campaign was also a boon to the American soy industry to further exploit the anti-tropical oil sentiment among American consumers in an attempt to gain market share in the edible oil industry that was threatened by the versatile and popular palm oil.63

The American Association of Soybean (ASA) campaign against palm oil began much earlier, in the late 1970s. They too started to heavily advertise their proselytism in not only the major newspapers but also food industry publications. These advertisements were highly persuasive. The ASA proceeded to print and send out ‘fat fighter kits’ in 1986 urging soy farmers to write to their Congressmen about the dangers of tropical oil in the American food chain. However, they misled the public by confounding palm oil with palm kernel oil that has high saturated fat content and is derived from the central nut.64 A spokesperson for ASA backpedalled years later and decided to ‘come out of the closet’ admitting that in issuing the health appeal ‘to consumers ..., we have a selfish motive behind it. That’s our mission, to market soybeans’.65
Nonetheless, imports of palm oil fell significantly. According to Malaysian figures, palm oil exports to the United States were 288,000 tons in 1986, declining significantly to 185,000 tons and 142,000 tons in 1987 and 1988, respectively.\(^6^6\) The ASA also called upon its 400,000 strong soy farmers’ lobby to act. As a result, in 1989, 1,500 volunteer farm wives from 22 states planned a road trip to promote soy oil products. The Association planned to introduce ‘Soymark’ which will appear on labels of soy food products.\(^6^7\) Undeniably, the American soy producers relied heavily on protectionist trade practices to advance their industry.

These examples serve to demonstrate the effectiveness of activist organisations in pushing corporations to change. The importance of activism in altering public perceptions cannot be discounted. These ‘activists succeeded in framing the replacement of saturated fats as a rational course of action based on a scientific fact—namely, the association between saturated fats and heart disease’ and ‘the efforts of both NHSA and CSPI were consistent with earlier generations of US activist who targeted commercial products based on scientific claims’.\(^6^8\) The decision-making process in a democratic society and the subsequent formulation of public policy gain legitimacy through public support. Therefore, once the soy lobby groups in the United States were successful in swaying public opinion, half their battle was won. Translating their interests into legislation may not be easy or successful, but the odds against the Malaysian palm oil industry were stacked higher. Although a majority of the bills were merely introduced and at the time agreed in Senate, none became law (see Table \(3\)). However, the repercussions were enough to cause alarm among Malaysian government officials and agencies and somewhat impacted upon palm oil imports into the US.

In analysing the discourse surrounding the palm oil trade between Malaysia and the United States, the importance of information management becomes apparent. It enables us to examine how the government, lobby groups, agribusinesses and individual personalities used selective information to intervene and determine the future direction of American food consumption. In doing so, this misuse of information and distortion of health ‘facts’ endangered and inhibited the growth of a critical sector in emerging economies like Malaysia and Indonesia. These conflicting interests affecting the palm oil industry prompted the Malaysian government and its agencies, the private sector and individuals, to intervene and undertake a course of action that later proved to be much more beneficial to the Malaysian economy.

**Malaysia**

The Malaysian Palm Growers’ Council (MPOGC), established in 1978, together with PORIM, acted on behalf of the Malaysian government to curb the propaganda spread by activist groups in the United States. The Malaysian government also set up the Malaysian Palm Oil Promotion Council (MPOPC) in 1990, primarily to assist the industry in marketing palm oil in the international market. MPOPC took over the role of the Palm Oil Promotion Fund set up in 1988 with funds amounting to USD10 million, mainly to respond to negative attacks on palm oil. Apparently, part of this fund was used to finance the cost of advertisements in major US newspapers, including the *Los Angeles Times*, *Wall Street Journal* and *New York Times*. These first ads cost USD205,000.\(^6^9\) The support of a US public relations consulting agency was equally important. PORLA hired Hill & Knowlton, believed to be
one of the largest American public relation firms with ‘strong lobbying reputation’, to coordinate this campaign, and a one-year deal was signed for USD300,000.70 This matter was raised in the Malaysian parliament over three different sessions.71

Meanwhile, a significant corporate personality stood out to defend palm oil. Datuk Bek Nielsen, who headed United Plantations and was a pioneer in the industry, played a leading role as the Head of Committee for the private sector Palm Oil Promotion Fund. The Committee came up with a comprehensive global strategy to market palm oil and disseminated scientific findings regarding its nutritional values. Working closely with the Ministry of Primary Industry, this public–private initiative planned to launch their first technical promotion in China and assist the government in commissioning research on the health

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### Table 3. Palm oil bills introduced in the Congress.

<table>
<thead>
<tr>
<th>Year</th>
<th>Legislation</th>
<th>Action</th>
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<tbody>
<tr>
<td>1934</td>
<td>Tax: 3 cents per pound on tropical oils (including palm oil)</td>
<td>Suspended 1963–1965 Repealed in 1966</td>
</tr>
<tr>
<td><strong>House of representatives</strong></td>
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<tr>
<td>(i) H.Res.1539</td>
<td>A resolution relating to voluntary restraints on subsidized palm oil production and to the negotiation of voluntary restraints on palm oil imports into the United States</td>
<td>Sponsored by Moore, W. Henson (R) – Louisiana (Discussion with Findley, Paul (R) – Illinois)</td>
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<tr>
<td>(13 Sept. 1976)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii) H.Res. 1419</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(22 July 1976)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii) H.R. 15331</td>
<td>Palm Oil and Palm Oil Products Inspection and Identification Act</td>
<td>Sponsored by Representatives: (i) Quei, Albert H. (R) Minnesota (ii) Jones, Ed (R) Tennessee (iii) Poage, W.F. (R) – Texas (iv) Dawson Mathis (D) – Georgia (v) Dawson Mathis (D) – Georgia (vi) Dawson Mathis (D) – Georgia (Introduced)</td>
</tr>
<tr>
<td>(30 Aug 1976)</td>
<td></td>
<td></td>
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<tr>
<td>(iv) H.R. 15362</td>
<td></td>
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<tr>
<td>(31 Aug 1976)</td>
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<td></td>
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<tr>
<td>(v) H.R. 14921</td>
<td></td>
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<tr>
<td>(28 July 1976)</td>
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<td></td>
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<tr>
<td>(vi) US-HR1835</td>
<td></td>
<td></td>
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<tr>
<td>(3 Jan. 1977)</td>
<td></td>
<td></td>
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<tr>
<td>(vii) US-HR10583</td>
<td></td>
<td></td>
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<tr>
<td>(26 Jan. 1978)</td>
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<tr>
<td><strong>US-HRES 983</strong></td>
<td>A resolution expressing the sense of the House relative to a study by the Secretary of Agriculture on palm oil imports</td>
<td>Sponsored by Representative Dawson Mathis (D) – Georgia House Committee on Agriculture House Committee on International Relations (Passed – study undertaken) Palm Oil Imports Study (1 Oct. 1976) Committee on agriculture and International Relations</td>
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<tr>
<td>(26 January 1978)</td>
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<tr>
<td>H.Res. 301</td>
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<tr>
<td><strong>H.RES 1400</strong></td>
<td>A resolution expressing the sense of the House relative to a study by the Secretary of Agriculture on palm oil imports</td>
<td>Sponsored by Representative: Jenrette, John W., Jr. (D) – South Carolina Dawson Mathis (D) – Georgia Harsha, William H. (R) – Ohio</td>
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<td></td>
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<tr>
<td>H.Res. 1399</td>
<td>Resolution expressing the sense of the House relative to foreign palm oil development loans</td>
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<td>(7 Jan 1976)</td>
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<tr>
<td>H.Res 1451</td>
<td></td>
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<tr>
<td>(30 Jul 1976)</td>
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<tr>
<td>H.Res 1445</td>
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<tr>
<td>(29 Jul 1976)</td>
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<tr>
<td>H.RES 300</td>
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<tr>
<td>(17 Feb 1977)</td>
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<tr>
<td><strong>H.R.1856</strong></td>
<td>A bill to amend the Tariff Schedules of the United States with respect to the rates of duty for palm oil</td>
<td>Sponsored by Representative Dawson Mathis (D) – Georgia</td>
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<tr>
<td>(13 Jan. 1977)</td>
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<td></td>
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<tr>
<td><strong>H.R.3674</strong></td>
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<tr>
<td>(17 Feb 1977)</td>
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<tr>
<td><strong>Senate</strong></td>
<td></td>
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<tr>
<td>S. Res 487</td>
<td>An original resolution reported relating to cessation of loans for palm oil production</td>
<td>Sen. Talmadge, Herman E. (D) Georgia Sen. Humphrey, Hubert H. (D) Minnesota (Introduced) (Agreed in Senate)</td>
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<tr>
<td>(20 Jul 1976)</td>
<td></td>
<td></td>
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<tr>
<td>S.Res.444</td>
<td></td>
<td></td>
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<tr>
<td>(5 Nov. 1976)</td>
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</table>
properties of palm oil at various universities in the United States and Europe. Even prior to the episode above, Datuk Bek Nielsen, who was also the vice-chairman of the Palm Oil Growers Council, met with representatives of the American Soybean Association (ASA), National Soybean Processors Association (NSPA), National Cottonseed Products Association and National Cotton Council (NCC) in 1976 to discuss issues pertaining to the export of palm oil to the United States. Bek-Nielsen argued decisively against the points presented in the NPSA’s brochure and the recommendations made by NCC. Bek Nielsen stressed that the United States ought to assist Malaysia as a developing country with social and political problems, rather than impose a restraint on palm oil imports. He further argued that unlike other crops such as soybeans, palm oil production could not be adjusted yearly due to its perennial nature. The palm oil industry in Malaysia has been developed predominantly by private funds, with only six to seven percent of the capital contribution from the World Bank. He insisted that Malaysia wished to trade palm oil on a ‘free basis in international markets’, and had no intention of engaging in price wars to regulate the market.

In October 1987, a Malaysian team of experts led by PORIM’s Director General, Dr Augustine Ong went to the United States to ally American health fears about palm oil. They also protested against the Tropical Oils Labeling Bill under consideration by the American Congress. The team appealed to the American researchers to undertake further research on palm oil as Malaysians had limited research funds. Also, three Ambassadors from Indonesia, Malaysia and the Philippines came together and wrote a piece for the Washington Post in defence of tropical oils. In addition to the other commonly argued points, they reiterated the ‘adverse political and economic ramifications of tropical oils legislation to the ASEAN region’, with thirty percent and thirteen percent of the Philippines and Malaysian population deriving their livelihood from the coconut and palm oil industries, respectively.

Lengthy debates took place in the Malaysian Parliament to discuss government action to counter the campaigns against palm oil in the United States. Questions were raised about the financial resources spent in fighting these campaigns in the United States. The opposition argued that these resources were better spent on marketing palm oil elsewhere around the world, in particular, India and China, since the US market for palm oil constituted only two to three percent of the five million tons exported annually. It has to be noted that sixty percent of this total was for industrial uses, and not food. Simultaneously, parliament debated whether there should be steps taken against the importation of other edible oils into Malaysia, which was in direct competition with palm oil. At least thirty percent of total Malaysian cooking oil came from international sources. However, the Deputy Minister for Primary Industries argued that in a free trade economy such as Malaysia, the competitive environment and variety of cooking oil options ultimately benefit consumers and increase productivity within the domestic palm oil industry. He further argued that the amount of money spent was well justified (USD 25,000 or $M66,800), as there was an urgent need to counter hostile campaigns that might affect sales of Malaysian palm oil in Europe and South Asia.

MPGC responded with a full-page advertisement in the US mainstream newspapers, including New York Times, Wall Street Journal and USA Today citing eight scientific studies proving the non-effect of palm oil on cholesterol. Datuk Bek-Nielsen, now the Chairman of MPGC, argued that ‘if America can spread false rumours, that could perhaps influence
marketing possibilities to other parts of the world’, and further reiterated the importance of the palm oil industry which at the time accounts for eleven percent of Malaysia’s gross national product.

Over time, the Ministry too distributed pamphlets on the goodness of palm oil, lobbied specific interest groups, and held meetings with American officials, nutritionists, scientists, and food manufacturers. Research projects were instituted together with American scientists and the results announced to all. For example, the press release by PORIM mentioned the testimony by the Surgeon General, who was also the Deputy Director of FDA Office of Nutrition and Food Services and Acting Director of the FDA Center for Food Safety and Applied Nutrition stating that tropical oils were only a minor contributor of saturated fat in comparison to hydrogenated oils. Again, American support (mainly but not exclusively, the American scientist at various institutions) was needed to counter these allegations against Malaysian palm oil.

The Malaysian delegation went on a two-week ‘defensive’ campaign, headed by the Minister of Primary Industries Datuk Dr Lim Keng Yaik. He addressed the annual convention of the National Institute of Oilseed Products and attended meetings with Secretary of Agriculture, US Trade Representative, and several Congressmen including Senator Edward Kennedy.82 The aggressive campaigns in the United States accelerated Malaysian ‘efforts in nutritional research aspects’.83 Scientists were commissioned by the Malaysian government and the private sector, through their research, progressively to provide evidence that fatty acids in palm oil have an insignificant effect on cholesterol. In contrast, soyoil, in its hydrogenated form, contributes to bad cholesterol and is attributed to several other health hazards.84 Also, PORIM produced the Smart Balance line of products without trans fats to fulfill US consumer demands for low cholesterol and low-saturated fat products.85

However, despite the vigorous campaigns by the Malaysian government and efforts by the agribusiness sector, several articles published by the New York Times stated that ‘the battle already appears to be lost’,86 and ‘regardless of whether the attention given to tropical oils has been justified, its effects on the market will be long lasting’.87 A commentary in the Washington Post mentioned that ‘the ads even indicated that palm oil “reduces blood cholesterol”, a claim still believed only “by those who just fell off the turnip truck”. The Ads further suggested that the MPOGC attempted to counter the opposition and ‘rented its experts and published their findings’ in full-page newspaper advertisements.88 Several other articles appeared in major US newspapers, refuting the claims made by the MPOGC advertisements.89 During this time, the US Soybean group decided to declare a truce, since ‘our efforts to inform the public about tropical fats had run its course’, and it’s time to talk about the ‘merits of soybean oil’. But this was a little too late for Malaysia.90

As mentioned above, most major American food manufacturers had ‘pledge(d) to remove oils from all their products’. Stuart Greenblatt, a spokesman for the Keebler Company, announced that ‘a trade issue is not our concern’ but ‘American consumers and their health is our concern, and they are telling us they don’t want it. We get piles of e-mail every day, from everywhere’.91 He further stated that ‘clearly for big corporations like Keebler, profits and consumer welfare matter over bilateral trade. This controversy was created for trade reasons rather than health reasons’.92 ‘From a public health standpoint’, according to David Heber of UCLA School of Medicine, ‘this is a tempest in a teapot’.93 Even health experts viewed these campaigns as misleading to the public with FDA citing tropical oils as an insignificant contributor (less than 3.5 percent) of total fat in the
American diet. As more evidence came to light, the chief Congressional lobbyist for ASA admitted to competing for a market share, but insisted that it would be based on ‘facts not accusations’.94

Although the Malaysian government’s efforts seemed wasted from a trade perspective in the US, in the long run, they did manage to salvage the reputation of palm oil by highlighting its good qualities to the world. This brouhaha encouraged the Malaysian government to be proactive in promoting the use of palm oil to allocate funds for research and development and to forge new bilateral trade ties on a levelled playing field through South–South cooperation policy. New markets were tapped in the developing world, and further research findings were announced on the good qualities of palm oil. PORIM went on to introducing sustainable practices in the oil palm production and remains as a world premier palm oil research institute.

Another positive outcome out of these attacks by groups in the US was to force the Malaysian industry to group together and to lobby the Malaysian government. This, in turn, led to the unique creation of ‘Malaysia Inc.’, an informal arrangement uniting the public and private sector. This public–private partnership had a far-reaching impact as it was this arrangement that spearheaded trade promotion. This device has also been copied in the case of other products and foreign investments (particularly in Africa).

Palm oil exports

As shown in Figures 3 and 4, Malaysian palm oil exports not only saw a drastic rise from 1970 until 1990 but also a diversity of new trade partners, with just India and China as overlapping trade partners for the US soya oil.

![Top 10 importers of palm oil from Malaysia (1970–1990)](image)

**Figure 3.** Top ten importers of palm oil from Malaysia (1970–1990).

Concluding remarks: information management and oil wars

This review highlights the manner in which information and distortions were used to influence consumer opinion and argue the case for governmental intervention. The soy producers aggressively argued the case against palm oil on health grounds by using nebulous information. Malaysian producers countered equally aggressively by using data from specially commissioned studies. Both the US and Malaysian Governments were drawn into the dispute. Information management by the various stakeholders played a key role.

The oil wars are illustrative of how various stakeholders made up of lobby groups, agribusinesses and individual personalities interacted. These private and commercial groups appear to have succeeded in obtaining governmental intervention via the enactment of non-tariff barriers despite heavy Malaysian producer actions and diplomatic pressures exerted by the Malaysian government. The extent to which US interests were successful in curbing oil palm imports into the US market is reflected by the sharply reduced imports. By this measure, it is clear that the efforts mounted by the soy industry and other stakeholders chalked up a victory.

An important lesson that was drawn by Malaysian producers was that information would play an important role to counter protectionist trade policies by other governments. It led to the support for research into the health qualities of oil palm, more aggressive trade promotion and enhanced support by the producer country, i.e. the
governments of Malaysia and Indonesia. This sustained support for research and information dissemination has paid off as evidenced by the growth in exports to new markets made up of middle-income countries such as India, Pakistan and China. Oil palm has captured an increased share of the edible oil market.

The controversy surrounding the ‘oil wars’ in the 1980s and its impact on Malaysia–US relations although seemed less pronounced and is difficult to measure. There were, however, other consequences. First, the bad publicity contributed to long-term changes. These included among others increased R&D funding, establishment and consolidation of various agencies, monitoring and countering media reports, as well as organising missions to the US. Second, there were also the constant pressures on the government and oil palm companies to respond to new claims linked to health issues. Third, oil palm remained of strategic importance to an emerging, export-dependent country like Malaysia given that the commodity became a mechanism for rural development and a major export earner.

The ‘oil wars’ in the US prompted the Malaysian government to search for new world markets. Malaysia became the champion for the liberalisation of agricultural trade with a significant rise in intra-Asian trade. Pakistan and gradually India (by 1988) became the largest importer of Malaysian palm oil, and by 2010, China overtook India. By 2014, India had regained its position as the largest importer of Malaysian palm oil.

The challenges faced by the Malaysian government and private sector led to the development of synergies between two sectors as they strived to promote the growth and consumption of palm oil. The effective coordination between the government and industry remained significant in tackling the competitive edible oils market and provided the impetus for improvement in standards and practices for sustainable oil palm production.

An outcome of significance was the industry looking beyond the edible oil industry. It moved downstream into other products. One such product was bio-fuels with a market in the EU. New threats and challenges have emerged. In the late 1990s, campaigns were launched by the environmental groups against the palm oil industry. The ‘orangutan’ became the symbol of opposition to palm oil as it contributed to deforestation leading to environmental damage.

It is not within the scope of this paper to discuss these campaigns against palm oil but remains an important issue for in-depth analysis. The mascot has shifted from health to environment, and soya lobby groups, now fighting the same foes, have little choice but to work closely with various stakeholders in the Malaysian palm oil industry. CSPI, on the other hand, remains active in its fight against the use of palm oil by American food manufacturers and now cites environmental degradation as an added concern.

Like the earlier campaigns against palm oil in the US, green groups in Europe are using the information to mount their case with the public and using public opinion to push decision-makers in Brussels. The desired policy end (in this case, the protection of the environment) is being pursued through trade measures. The industry and the governments of Malaysia and Indonesia are now faced with actions contemplated by the European Union (EU). Non-tariff barriers appear to be the weapons of choice, much in the way these played a role in the oil wars between the US and Malaysia.
Notes


34. Ibid.

35. Ibid.


37. ‘Palm Oil Import Reviews’, 8.


39. Ibid.


41. ‘Palm Oil Import Reviews’, 1–8.


44. ‘Malaysian Concern Over Possible Change in US Position on Palm Oil’, American Embassy, Kuala Lumpur to Secretary of State, Washington, DC, 22 April 1977 [Central Foreign Policy Files, USNA].


46. ‘Palm Oil and Foreign Assistance Appropriation’, Department of State to Kuala Lumpur Embassy, Malaysia.

47. Ibid.

48. ‘Secretary Bergland Travel’, American Embassy, Kuala Lumpur to US FDA/FAS, Washington, DC, 26 May 1977 [Central Foreign Policy Files, USNA].
49. ‘Conversations with Minister for Primary Industries, Musa Hitam’, American Embassy, Kuala Lumpur to Secretary of State, Washington, DC, 29 July 1977 [Central Foreign Policy Files, USNA].
50. Report by the President’s (Richard Nixon) Assistant for International Economic Affairs (Peter M. Flanigan), Conversation with EC Commission, President Sicco Mansholt, Brussels, 1 June 1972.
53. The Labelling Requirement for Tropical Oil did not Turn into the Vote, But the Hearings Managed to Convince Industry to Switch from Saturated Fats to Trans Fats’, Congressional Hearings, H.R. 2148, 1987.
61. Ibid.
74. Ibid.
77. In the Philippines, when there was a decline in the coconut industry and with farmers and labourers falling below the poverty line, the insurgency gained strength. Soesilo Soedarman,


80. Official Report, Malaysian Parliamentary Debates (Senate) 7, 3rd term, 3, 2, Tuesday, 28 March 1989, 199.


83. ‘Malaysian Team’.


86. McGill, “Tropical-Oil Exporters”.


94. Ibid.

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