



Analysis of the Motives for the Ban on Exports of Indonesian Palm Oil Products by the European Union in 2017

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Abstract

The European Union (EU) adopted a Resolution on Palm Oil and Deforestation on Rainforest that contains a ban on Indonesian palm oil (CPO) exports. The ban on Indonesian CPO exports was carried out by the EU on the accusation that Indonesia's CPO production causes deforestation. Thus, the resolution became a CPO trade dispute between Indonesia and the EU. This research aims to find the EU's motives in the Indonesian CPO export ban policy. The research method used is descriptive qualitative method using secondary data obtained from the Central Statistics Agency (BPS), Index Mundi, International Trade Center (ITC), Observatory of Economic Complexity (OEC). The results showed that the EU has a motive (national interest) which is to develop the domestic vegetable oil industry of rapeseed oil (RSO), sunflower oil (SFO), and soybean oil (SBO) in the Indonesian CPO export ban policy. The resolution issued by the EU against the Indonesian palm oil industry is a form of protection of these domestic vegetable oils.

Keywords: CPO, Vegetable Oil, Protection, European Union

Introduction

The European Union (EU) is a very attractive market and has great potential and opportunities for the export of Indonesian crude palm oil (CPO) products. This is because this region is an area that has a high population, the EU population as of January 1, 2016 reached 510.3 million people (European Union, 2018). In addition, the EU community also consumes palm oil quite high, recorded in 2016 EU palm oil consumption reached 7.5 million tons and is the largest consumer of CPO. This figure is higher than that of China, which consumed 6.9 million tons in 2016 (*European Palm Oil Alliance*, 2016). The high consumption and demand for palm oil in the European Union encourages Indonesia to keep the region as a potential palm oil trading partner (EU). This aims to benefit from the sale of palm oil which will also have an impact on employment. As for the EU, palm oil trade with Indonesia will fulfill the needs of the people or EU entrepreneurs for palm oil consumption.

Indonesia-EU CPO trade has been ongoing since 2008. However, the trade relationship between the two countries has not always run smoothly. The EU has made efforts to protect vegetable oils in the country by discriminating against Indonesian CPO products. The EU used the Renewable Energy *Directive* (RED) scheme to promote the increased use of renewable energy, and CPO was not included (Firman Hidayat, 2011). In addition, the EU also applies subsidies to farmers aimed at reducing the use of fossil fuels, as well as providing large investments in *rapeseed oil* products. In November 2013, the EU implemented *Anti-Dumping* Duties on the grounds that Indonesia had benefited from access

to imports of raw materials at very low prices compared to the world market prices available for EU biodiesel. However, the EU's anti-dumping policy eventually came to an end when Indonesia won the biodiesel anti-dumping case against the EU at the WTO appeal hearing (WTO, 2018).

In 2017, the EU passed the Resolution on *Palm Oil and Deforestation of the Rainforests*, which aims to limit and stop the use of palm oil. The resolution was based on the results of an EU investigation which showed that the development of the palm oil industry was the main cause of deforestation and weather change (*European Parliament, 2017*). The resolution was issued with the aim of reducing carbon emissions and deforestation caused by the palm oil industry. But on the other hand, palm oil producers, such as Indonesia, will be threatened with being unable to sell to the EU market. This can cause losses for Indonesia and other CPO producing countries.

The EU policy may cause new problems, because if the EU stops using palm oil, it will have to replace it with other vegetable oils. Vegetable oils that are consumed and become domestic products of the EU are *rapeseed oil (RSO)*, *soybean oil (SBO)*, and *sunflower oil (SFO)*. If the EU replaces CPO with these three vegetable oils, it is likely to cause new environmental problems, namely the EU must open up vast new land to meet the needs of vegetable oil consumption. So, what exactly is the motive for the ban on CPO exports in this case belonging to Indonesia imposed by the EU.

This research aims to find the motive of the EU's palm oil export ban policy. To find the purpose of the study, researchers used the National Interest theory to find the real motive of the European Union in banning Indonesian CPO exports. In addition, researchers also use the theory of Protectionism to describe the protection efforts made by the EU through the ban. Thus, this research aims to find the motive and describe the EU's protection efforts through the 2017 palm oil resolution.

Theoretical Framework

1. National Interest

Morgenthau argues that, "National interest is the minimum ability of the state to protect and defend its physical, political, and cultural identity from the interference of other states that are cooperative or conflictual in nature" (Morgenthau, 1952: 972). Dunne and Schmidt also mentioned that the core of a country's national interest is to defend itself in economic, environmental, and humanitarian aspects within the country (Dunne and Schmidt, 2005: 164). Meanwhile, Norman J. Padelford argues that national interest (Padelford, 1962: 634) is:

National interest of a country is what a governmental leader and in large degree also what its people consider at any time to be vital to their national independence, way of life, territorial security and economic welfare.

National interests, according to Donald E. Nuechterlein, are interpreted differently by each country because each country has its own interests according to the conditions of the country (Arnold Wolfers, 1971: 62). Therefore, each country has goals to achieve that are tailored to the needs and territorial integrity of a nation, independence, and national survival. National interest is conceptually used to explain the foreign policy behavior of a country (Anthonius Sitepu, 2011: 163).



National interests are often used as benchmarks or basic criteria for decision-makers of each country before formulating and determining attitudes or actions. In fact, every step of foreign policy needs to be based on national interests and directed at achieving and protecting what is categorized or designated as “national interests” (Rudy, 2002: 116). In the analysis of national interests, the role of actors, in this case the state, will pursue anything that can establish and maintain a state's control over other countries. Such control relates to power that can be created through coercion or cooperation techniques.

This notion of national interest emphasizes the importance of more effort from the government to understand the global economic system to achieve its interests. It is shared by every country in the world that is useful for advancing and improving the welfare of its people.

National interest becomes the basis for every country's action and formulates foreign policy-making and international politics. Each country will be very concerned about the diplomacy strategy that will be carried out to achieve national interests, which can be through increasing international and regional friendship and cooperation through multilateral and bilateral forums, which are expected to provide great benefits for the interests of national development in all fields, especially in the economic field. This is justified by Morgenthau's statement that the national interest of every country is the pursuit of power, namely anything that can establish and maintain a country's control over other countries through coercion and cooperation techniques (Morgenthau and Thompson, 1950: 37). In essence, countries in the world will use political power to achieve benefits in all international actions, especially to ensure maximum welfare for the people of the country. The economic welfare is closely related to its ability to influence political, economic, and control activities in the global competition that occurs among countries in the world. In this study, researchers applied the theory of national interest to explain the interests of the European Union in the policy of banning the export of palm oil products from Indonesia in 2017.

2. Protectionism

Protectionism is an idea that was influenced by an economist and Congressman in the United States, Alexander Hamilton from 1755-1804. Hamilton wrote in a report, Report on Manufactures in 1791, stating that the state must play an active role in developing the production system not only in terms of capital accumulation, but also in terms of overcoming the international trade system that can harm national interests (Hadiwinata, 2002: 58). Hamilton added that economic policy in a country should be intended for the national interest, namely protecting domestic industries from foreign threats. Furthermore, in the report Hamilton recommended several protection policies to the United States congress (Hamilton, 1791: 15-16), including the following:

1. Protecting Duties (Import Tariffs). This policy is carried out by applying import tariffs to foreign products that have the potential to “kill” the domestic industry.
2. Prohibitions of Rivals Articles (prohibition of imports for products of competing countries). The policy of prohibiting the entry of goods from other countries needs to be carried out by the US in order to revive the domestic industry.
3. Prohibition of the Exportation of Materials of Manufactures. The US must impose a policy on manufactured products to save, as well as limit entry for other countries,

especially for products that are sold more cheaply.

4. Judicious Regulations of the Inspection of Manufactured Commodities. This policy is considered by Hamilton to provide product quality assurance to consumers by minimizing the possibility of foreign producers smuggling to avoid import tariffs and checking the quality of goods.

In a journal entitled *A Model of Dumping and Protectionism in the United States* (Salvatore, 1989: 764), Dominick Salvatore argues that to maintain a country's domestic production and industry is by implementing protectionism and subsidy policies. According to him, protectionism is an economic policy that limits trade between countries through trade procedures, the imposition of import duty tariffs (tariff protection), quota restrictions (non-tariff protection), tariff increase systems and various rules to suppress imports and even prohibit imports. He continued, there are two types of protectionism in the new form, the first is protectionism as a form of escape clauses and the second is protectionism as a form of complaint from the existence of "less-than-fair value".

The first protectionism is carried out by protecting or providing assistance to domestic industries to adjust to increased international competition. Meanwhile, the second protectionism is done by protecting domestic producers against unfair trade practices by foreign producers. In addition, according to Aisbet and Pearson, there are new forms of protectionism such as health, religion, labor protection and environmental issues that were once invisible as issues related to international trade (Aisbett & Pearson, 2012:22).

Protectionism can be defined as an economic policy that restricts trade between countries through trade arrangements, the imposition of import duty tariffs, non-tariff measures, tariff increase systems and various regulatory efforts to suppress imports or to create import bans (Frieden, J. and Lake D, 2003: 306). The important thing according to Murray N. Rothbard is (Rothbard, 1986: 1):

1. Protectionism is the power to restrain trade. Regardless of what governments want to achieve their economic interests, protectionism can be applied or abandoned in the economic interest of a country.
2. Benefits to consumers. Whether consumers will benefit or be harmed by this protectionist policy.

The implementation of protectionism in a country is to hamper international trade transactions with tariff or non-tariff barriers in order to achieve the country's national interests. A country that implements protectionism will try to threaten other countries with tariff or non-tariff barriers to get a reduction in barriers from other countries. Governments try to utilize certain issues to serve as their basis in implementing protectionist policies as an effort to develop their respective national industries to gain comparative advantage (Mas'ood, 1998:6).

In the Dictionary of Economics, protectionism is defined in two ways. The first is the notion of protection of the business world by the government (Sumadji, 2006: 532). The second is a deliberate policy by the government as an effort to control imports or exports, by overcoming various trade barriers, such as tariff quotas, with the aim of protecting domestic industries or businesses from competition with foreign industries. The argument is reinforced by Friedrich List's opinion that the ability to produce goods is more important than the production itself, so that policies that are protective of domestic industries or businesses from competition with foreign industries. Therefore, a protective policy towards

the domestic industry is absolutely necessary (Friedrich, 1966: 145).

The main objective of protectionism is to minimize barriers to domestic products from the invasion of imported goods (Kusumaningtyas, 2017: 3). In other literature, the main purpose of protectionism is to promote the growth of domestic industries. For newly “born” industries, it will certainly be difficult if they have to compete with mature industries that have already developed. Therefore, in this case, the state must protect its domestic industries from foreign competitors until their industries have sufficient capabilities to compete in the international market (Falkner, 2011: 22-23). Meanwhile, in other writings, the main goal is to increase domestic production for the benefit of several parties, such as: company owners, laborers, suppliers of raw materials, and also the government with the benefits of tariffs (Coughlin et al., 1988: 4).

The theory of protectionism is used by researchers to describe the efforts made by the European Union in banning exports of palm oil products from Indonesia in 2017 through resolutions. The trade protection will be analyzed through the characteristics of protectionism. This is as explained earlier, such as: applying high import duty tariffs, prohibiting the entry of certain products, campaigns, standardizing product eligibility and others.

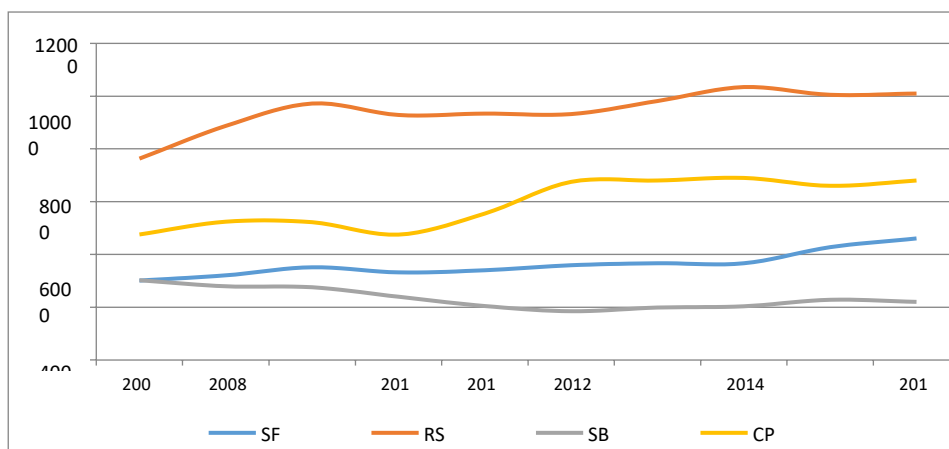
Method

This research will use a qualitative approach by describing thoroughly the object of research related to the issue under study. Researchers use secondary data sources in collecting data. The data obtained by researchers is through reliable data sources in the form of books, scientific journals, written reports, international news articles, and documents related to the object of research.

Finding and Discussion

1. Vegetable Oil Consumption Patterns in the European Union

The EU produces RSO, SFO, and SBO edible oils while CPO is imported from palm oil producing countries, mainly Indonesia. In the European Union, the four most consumed vegetable oils are RSO, CPO, SFO and SBO. RSO is the most consumed oil in the European Union, followed by CPO, SFO and SBO (Emanuelle, 2016:9).



Structure of Vegetable Oil Consumption in the European Union

Source: Index Mundi, 2019

Based on the graph above, it can be seen that the structure of EU vegetable oil consumption in CPO, SFO, and RSO continues to increase. Meanwhile, SBO consumption tends to be stable and has decreased. The average increase in RSO consumption was 13.02 percent, SFO by 5.01 percent and CPO by 4.46 percent. Meanwhile, SBO decreased by 3.65 percent. Compared to other vegetable oils, SBO experienced several declines in EU consumption share, especially in 2008-2012.

If seen in the graph, during the period 2007-2016, the structure of EU vegetable oil consumption is consecutively from the highest RSO, CPO, SFO and SBO. This illustrates that the presence of palm oil in the EU has changed the structure of vegetable oil consumption share, where previously RSO held the role as the local and most consumed vegetable oil. This may trigger the EU Government to enact policies to protect local products from competition from imported products (CPO). The following data presents the development of vegetable oil prices in the European Union.

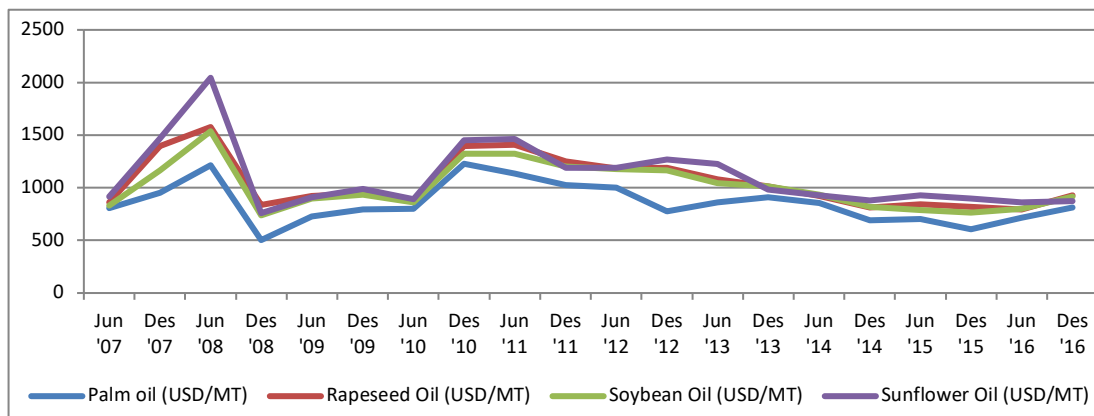


Chart 2. Development of Global Vegetable Oil Prices 2007-2016

Source: *Index Mundi*, 2019

Based on Graph 2, it can be seen that palm oil is the vegetable oil with the lowest price compared to other vegetable oils. Meanwhile, sun oil is the most expensive vegetable oil in the world. The pattern of price changes of four vegetable oils (CPO, RSO, SFO, and SBO) in Figure 2 appears to have the same pattern trend. The pattern of changes in vegetable oil prices looks very volatile, where there is an increase but a decrease again in certain years. Vegetable oil competition in terms of price is quite high. CPO has a more competitive price than the other four vegetable oils. The highest price that occurred in the four vegetable oils was in June 2008, with CPO at USD1,213, RSO at USD1,577, SBO at USD1,537 MT, and SFO at USD2,045 per MT.

The more affordable price of palm oil compared to local vegetable oils (RSO, SFO, SBO) in the European Union provides good value and image to consumers. This is supported by the increasing number of companies in Europe that require vegetable oils as industrial raw materials and biofuels (Satria, 2019). Palm oil can be a solution for the needs of industrial raw materials and biofuel at an affordable cost, so as to minimize production costs.

Although CPO is an edible oil originating from outside the EU region, it has a high competitive price when compared to domestically produced edible oils. This benefits palm oil consumers because they can consume or use it as a base material at a lower price. The advantages of CPO over the other three vegetable oils have made it more popular and its

share has expanded. RSO, SFO and SBO seem to be pressured by the price competition of CPO which results in their share being less desirable. Demand for CPO is increasing every year, which makes CPO not only a substitute but a complementary good. Based on data released by CBI Trade Statistic, palm oil is the main majority among other vegetable oils entering Europe. This can be seen from the volume of CPO imports, which amounted to 84 percent of total EU vegetable oil imports (CBI Trade Statistic, 2015).

Table 1. Demand and Supply of Vegetable Oil in the European Union 2007-2016

Year	Supply				Demand			
	Production	Import	Initial Stock	Total	Consumption	Export	End Stock	Total
2007	12,192	8,141	180	20,513	19,408	588	517	20,513
2008	13,365	8,460	517	22,342	21,262	666	414	22,342
2009	14,346	7,943	414	22,703	22,197	649	-143	22,703
2010	13,760	7,712	-143	21,329	20,759	841	-271	21,329
2011	14,199	8,272	-271	22,200	20,709	1,179	312	2220
2012	14,465	8,983	312	23,760	22,108	1,713	-61	23,760
2013	15,753	9,263	-61	24,955	22,964	1,449	542	24,955
2014	16,419	8,665	542	25,626	23,924	1,785	-83	25,626
2015	15,775	8,947	-83	24,639	23,019	1,694	-74	24,639
2016	15,364	9,050	-74	24,340	22,736	1,550	54	24,340

Source: PASPI, 2017

Table 1 shows that in the period 2007-2016, the *supply* and *demand* of edible oils in the EU almost doubled from 12.6 million tons to 24.34 million tons. Production includes RSO, SFO and SBO, while imports include CPO along with other vegetable oils. The graph shows that EU oil production has not been able to meet the needs of edible oil consumption share. Thus, the EU has to import vegetable oils from other countries. One type of vegetable oil imported by the EU is CPO which is imported from Indonesia, Malaysia and other palm oil producing countries. CPO import activities have become necessary for the EU to fulfill its need for vegetable oil.

The increasing number of CPO imports is a result of the increasing consumption of vegetable oils in the European Union that the EU has not been able to fulfill. The entry of CPO in the EU domestic market makes the competition of vegetable oils higher. In addition, RSO as a domestic vegetable oil is still able to dominate. This is evident from the amount of RSO production which is greater than CPO imports.

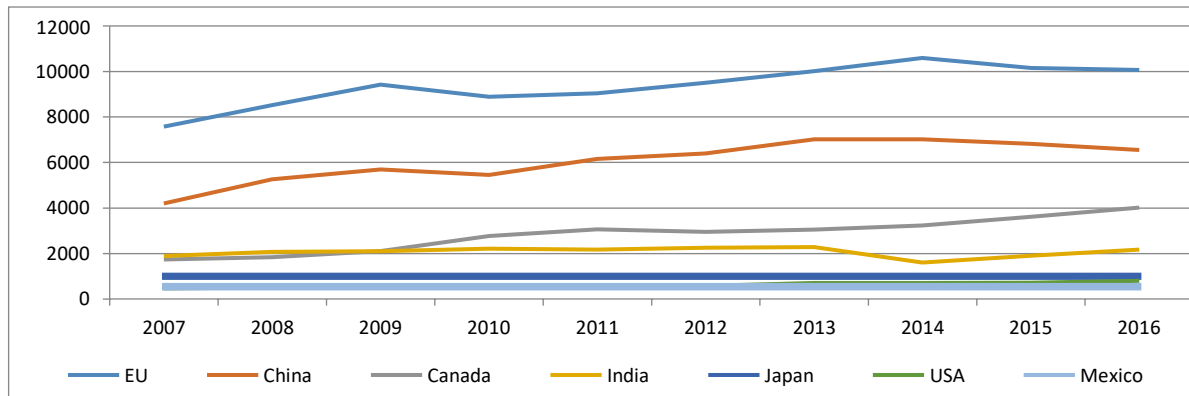
Competition for edible oils in the EU eventually triggered the Parliament to protect domestic edible oils, especially RSO and SFO. These two vegetable oils are domestic products produced directly by the EU. The protection carried out by the EU can be seen from the efforts to stop and ban the entry of CPO from palm oil producing countries, especially Indonesia. The ban is contained in the Report on Palm Oil and Deforestation on Rainforests. In the ban, Indonesia is specifically mentioned as an actor of deforestation in several points. So that Indonesian CPO, which is a strong competitor to vegetable oil in the

EU, is threatened with not being able to enter the European market. The threat of not being able to enter CPO can protect RSO and SFO from vegetable oil competition in the EU.

The policy of issuing palm oil resolutions aims to achieve the national interests of the European Union. Where, the resolution prohibits or stops the use of palm oil in order to increase the consumption of local vegetable oils, especially RSO and SFO. As well as reducing the nature of EU dependence on CPO imports, especially from Indonesia. The policy is carried out to maintain the existence and production of domestic vegetable oil from the use of imported vegetable oil. The protection policy is a protection in the form of non-tariff barriers that are more about environmental issues, human rights, agrarian conflicts and others, not on volume restrictions or the application of import taxes on CPO products entering the EU local market.

2. Importance of Rapeseed Oil (RSO), Sunflower Oil (SFO), and Soybean Oil (SBO) to the EU

Vegetable oil is one of the important commodities needed by the European Union. There are 4 (four) dominant vegetable oils consumed in the EU, namely *Rapeseed Oil* (RSO), *Sunflower Oil* (SFO), *Crude Palm Oil* (CPO) and *Soybean Oil* (SBO). RSO, SFO and SBO are EU domestic vegetable oils developed in several countries. Meanwhile, CPO is an oil obtained by importing, while the others are domestically produced oils.



Production of Rapeseed Oil (RSO) by Country 2007-2016

Source: Index Mundi, 2019

In Figure 3 the EU is the world's largest producer of RSO, followed by China and India as the second and third largest producers. RSO is consumed as edible oil in the EU domestic market by 90 percent and became the most dominating oil compared to SFO and SBO in the 2015-2016 period. Despite the high domestic consumption of RSO, RSO imports from the EU were very low at 345 thousand tons or only 3 percent of total production in the same period. As the largest RSO producer, the European Union is able to meet domestic demand and consumption by 90 percent (European Union, 2018). SFO, SBO and others make up the

rest. RSO plays an important role for the EU as it fulfills the need for the EU's domestic vegetable oil consumption. 80 percent of domestic RSO consumption is used for food, while the remaining 20 percent is used for the biodiesel industry.

According to the data in Index Mundi, the first largest SFO producer is Ukraine with a production of 1.795 million tons in 2007 and 6,351 in 2016. In 2nd place is the Russian Federation, with a total production of 1.982 million tons in 2007 and 4.171 million tons of RSO in 2016. The 3rd place is the European Union, with a total production of 1.897 million tons in 2007 and 3.338 million tons in 2016. The 4th place and so on are Argentina, Turkey, China, and South Africa. Meanwhile, the largest SBO producer in the world is China with a total production of 7.045 million tons in 2007 and 15.770 million tons in 2016. The 2nd largest producer is the United States with a production of 9.335 million tons in 2007 and 10.035 million tons in 2016. Argentina, Brazil, the European Union, India, and Mexico followed in 4th place. The EU's total SBO production was 2.720 million tons in 2007 and 2.736 million tons in 2016. This makes the EU the 5th largest SBO producer in the world. EU SBO production tends to be constant in the years 2007-2016. This shows that SBO production is quite important for the European Union.

RSO is the vegetable oil most needed by the European Union. This is from the amount of consumption and production of RSO which is greater than SFO, SBO and imported CPO vegetable oil. Thus, the European Union protects the domestic vegetable oil industry, especially RSO. By protecting RSO, the EU is saving domestic vegetable oil.

3. EU Efforts as a Form of Protection

3.1. Campaign and *Palm Oil Free (POF) Labeling*

The resolution entitled *Report on Palm Oil and Deforestation on the Rainforest* became the basis of a trade dispute between the European Union and crude palm oil or CPO exporting countries, including Indonesia. However, prior to the resolution, obstacles to CPO market share in the EU had already occurred. Even since 1980, the campaign has been carried out under the pretext that it is not good for health (PASPI, 2015: 105). The campaign was carried out by the transnational NGO *Greenpeace* and followed by other environmental NGOs.

Greenpeace continues to campaign, including in 2007 (*Greenpeace*, 2017). In that year *Greenpeace* released an article entitled *How the Palm Oil Industry is Cooking the Climate*. The article stated that every year, 1.8 billion tons of greenhouse gas (GHG) emissions pollute the environment. GHGs released by the degradation and burning of peatlands in Indonesia amount to 4 percent of global GHG emissions or less than 0.1 percent of the earth's soils. *Greenpeace* would like to point out that through the increasing demand for CPO for the world's largest food, cosmetics and biofuel industries is driving the massive destruction of peatlands and rainforests (*Greenpeace*, 2007).

Indonesia is considered by *Greenpeace*, as the world's largest exporter of palm oil, to have contributed to global pollution and GHG emissions arising from deforestation and land

use change. Indonesia holds the global record for GHG emissions through deforestation, placing it third behind the US and China in terms of total man-made GHG emissions (Greenpeace, 2017). In a report published by Greenpeace, it was mentioned that major corporations that use CPO are Unilever, Cargill, Kit Kat, Knorr, Nestle, ADM, Philadelphia, Pringles, Cadbury, and Tesco (Greenpeace, 2007). These companies are suspected of sourcing their palm oil from suppliers who are not picky about where their plantations are located.

Palm Oil Free (POF) labeling is a continuation of the boycott by transnational NGOs including Greenpeace (Greenpeace, 2017). Large corporations in the European Union are urged not to use CPO as a main ingredient and label their products POF. The labeling was also supported by France, which urged against the use of palm oil and taxed palm oil imports (Commoditiescontrol.com, 2016). Segolene Royal, a French Minister of Ecology, on June 17, 2015 asked consumers to stop consuming Nutella because she believes that palm oil cultivation contributes to deforestation (Time, 2015). This made the POF labeling even stronger. Even afterward, France increased the import tax on CPO. Originally, ie: 300 euros (2017), rose to 500 euros (2018), 700 euros (2019), and 900 euros (2020) (GAPKI, 2016). However, in the end, the import tax was only halved.

The Sologne statement has put pressure on CPO trade in the local EU market as well as in the global market. Whereas in a report issued by the European Commission in 2013, *The Impact of EU Consumption on Deforestation*, of the 10 million ha of deforestation, palm oil only contributed 0.1 percent, from Indonesia and Malaysia. Beef and SBO imported from the US accounted for 54 percent (European Commission, 2013). Thus, Sologne's statement should not suggest that only CPO contributes to global deforestation. The pressure or campaigns carried out by transnational NGOs in the EU and the statement of the French Minister of Ecology, as well as the imposition of tariffs on CPO are forms of rejection and discrimination against palm oil. If mentioning that the palm oil industry has caused GHG, it is necessary to examine how much the EU domestic vegetable oil industry contributes to environmental damage. Moreover, the land used to produce EU domestic vegetable oil requires a large amount of land. In 2014, land for CPO only required 10 percent of the world's total vegetable oil land area of 191 million hectares. Meanwhile, RSO requires a land area of 19 percent, SBO 58 percent, SFO 13 percent of the total land used to produce vegetable oil. This proves that oil palm plantations do not have a significant impact on the global environment when compared to other vegetable oils as shown in Table below.

Table 1. Oil Production (yield in kilograms per hectare)

Type of Vegetable Oil Kg/ha	Kg/ha
CPO	3500-8000
RSO	1000
SFO	800
SBO	375

Source: Friedel, 2011:2

In this table show that oil palm is a vegetable that can produce more oil than other types. In just 1 (one) ha (hectare), oil palm can be harvested as much as 3,500-8,000 tons.

Meanwhile, in 1 (one) 1 ha RSO can only produce 1,000 tons, SFO 800 tons, and SBO 375 tons. Thus, palm oil can be a good choice, because it only uses 10 percent of the total land and produces 41 percent of vegetable oil, while RSO uses 19 percent of the land and only produces 18 percent of all vegetable oil production. Meanwhile, SFO uses 13 percent of land and produces 10 percent of edible oil and SBO requires 58 percent of land but only produces 31 percent of edible oil. Thus, if seen from this data, CPO is certainly more efficient and has more portions (Fwi.or.id, 2018).

The LMC International study, a research institute from the UK, states that in meeting the world's vegetable oil needs in 2025, it requires an additional 50.5 million ha of land to produce RSO, and for SFO requires an additional 70.4 million ha of land. However, cultivating CPO only requires 12.6 ha of additional land (Fwi.or.id, 2018). This proves that palm oil is more effective than RSO and SFO as well as SBO in meeting global vegetable oil demand (Republika.co.id, 2018). This has a positive impact in preventing greater land expansion in cultivating global vegetable oils.

The ongoing POF campaign is part of the global vegetable oil competition strategy, especially in the European Union. This is due to the increase in global CPO production, especially from Indonesia, which has shifted the dominance of SFO and SBO, and this could apply to RSO if the demand for CPO continues to grow (PASPI, 2014). The decline in market share concerns the fate of the large subsidies that the EU-28 provides to its farmers every year and protects its farmers through import restriction policies and suppresses the producers of their competing vegetable oil, CPO. The emergence of campaigns to influence consumers was limited to nutrition/health issues, but in recent years negative campaigns have widened to economic, social and environmental aspects, especially those related to the concerns of the global community (PASPI, 2016). This is done so that the palm oil industry has a bad image and its consumption is stopped. This will have both positive and negative impacts on other vegetable oil industries. In the European Union, the impact will be that the consumption share of RSO, SFO and SBO will be higher, but the negative impact is that the EU must increase the area of agricultural land which will have an impact on the environment.

According to Dwi Ajeng Zahrotun Noor's research, Greenpeace's influence on EU policies related to the palm oil industry is still limited (Noor, 2021). This is due to several reasons such as narrow political space, no important role in the coalition of non-governmental organizations, and unrealistic EU commitments due to complex issues. However, researchers still see Greenpeace contributing to pressuring the palm oil industry to influence EU policy.

3.2. RSPO as Palm Oil Standardization Organization

CPO's image is getting worse due to campaigns conducted by environmental NGOs. Environmental issues that continue to pressure the palm oil industry encourage companies to restore the good image of CPO. Therefore, in 2004, Unilever, Golden Hope, MPOA Malaysia, Migros, Sainsbury and facilitated by WWF initiated the establishment of the *Roundtable of Sustainable Palm Oil* (RSPO) (Rspo.org, 2016). RSPO is one of the efforts to restore the image of CPO in the global vegetable oil market, especially the European Union. RSPO plays a role in promoting sustainable palm oil production and consumption through cooperative operations in the supply chain and open dialog with its stakeholders. The stakeholders in question are the parties with an interest in palm oil.

There are differences between palm oil products that have gone through RSPO certification and those that have not. Especially in price, because to pass the certification

must incur costs and time, so that CPO products that already have RSPO certification will have a higher selling price compared to products without RSPO certification. Thus, RSPO is very politically loaded, because certification makes the selling price of CPO higher so that it can be indicated as an effort to make consumers reduce their interest in CPO. This is a form of effort in achieving the interests in advancing the EU's domestic vegetable oil, especially RSO. Nevertheless, until the end of 2016 the price of Indonesian CPO was still the cheapest vegetable oil among RSO, SFO and SBO.

The RSPO has not been able to provide a solution to the negative campaign against the palm oil industry. Actors from palm oil producing countries, especially Indonesia, have sharply criticized the weaknesses of the RSPO, namely those that lie in a complicated process, require costs, assessments that are not "fair", as well as the ways in which plantation companies and oil palm farmers obtain RSPO certification as an "entry point" to smooth Indonesian palm oil exports to the European Union (Erman, 2017). The criticism made by Indonesia and Malaysia was to form a counter certificate, Indonesia formed *Indonesian Sustainable Palm Oil* (ISPO) and Malaysia formed *Malaysian Sustainable Palm Oil* (MSPO). However, these 2 (two) institutions, as well as the RSPO, have not been able to stop the efforts of barriers to Indonesian CPO. In fact, in a resolution issued by the EU, it was mentioned that the European Union deplored the ineffectiveness of RSPO, ISPO and MSPO.

The European Parliament considers RSPO, ISPO, and MSPO to be standardizations that have not been able to reduce environmental damage due to palm oil production. The Parliament considers that the three organizations are unable to reduce GHG emissions due to CPO production. They do not effectively prohibit their members from converting rainforests or peatlands to palm oil. These certification schemes fail to limit greenhouse gas effects during the plantation operation process, leading to large forest and peat fires (*European Parliament, 2017*). However, the EU has overlooked the fact that RSPO, ISPO, and MSPO are efforts to meet sustainable palm oil production standards as laid out in the 2009 *Renewable Energy Directive* (RED). The EU RED is consistent in promoting sustainable energy use in the EU (European Commission, 2019). In reality, the RED is a barrier to Indonesian palm oil trade to the European Union (Embassyofindonesia.eu, 2014).

The EU's real motives in the RED policy are more about economic development and security of fuel supply than climate protection. This can be seen from the indirect land use change that the EU is undertaking to develop feedstock for biofuels, known as *set a side*. In various reports, biofuels projected by the European Union are even more damaging to the environment than fossil oil, because in the process of managing raw materials *Indirect Land Use Change* or ILUC results in soil damage. Support is also given to energy-producing crops such as rapeseed oil, sunflower oil and soybeans. It is because of this large investment, especially for raw material crops such as *rapeseed*, that the European Union is hampering the entry of palm oil (Firman, 2011). The assessment made by the European Commission as outlined in the RED regarding CPO is a very subjective policy and is very thick with the political interests of the EU economy, and is more likely to be a form of discrimination by ignoring other facts related to the emission savings produced by palm oil (Erman, 2017).

3.3. Resolution on Palm Oil and Deforestation Issues

The campaign against the palm oil industry through *Palm Oil Free* (POF) labeling from international NGOs in the European Union continues to this day. The rejection and ban on the consumption of palm oil is based on allegations that CPO is produced by destroying the environment. In the end, to prove that the CPO imported by the European Union is suitable for consumption by the public, a standardization was carried out by the RSPO institution.



The organization was formed from the initiative of CPO industry players, namely Unilever and other companies.

On January 22, 2014, the European Commission released the "2030 climate and energy framework" (thenewfederalist.eu, 2018). In November 2016, followed by a concurrence among Members of the European Union (MEPs) or Members of the European Parliament established an EU energy policy framework until 2023. The framework is to regulate palm oil consumption in the EU. The European Commission also issued the Renewable Energy Directive II (RED II) policy issued on November 30, 2016 containing the EU Parliament's recommendation to develop renewable energy with the aim of reducing greenhouse gas emissions and reducing dependence on energy imports from other countries (Renewable Energy Directive, 2016).

On March 17, 2017, the Environment, Public Health and Food Safety Committee *voted on* a new policy recommendation that plans to restrict palm oil imports and stop the use of palm oil in the European biodiesel program (GAPKI, 2017). This is done by assuming that palm oil production is the cause of deforestation. Likewise, the RSPO organization is considered unable to reduce deforestation by the European Union. Furthermore, the discussion was held on April 3, 2017, while the *vote* or the result of the discussion was held the following day, on April 4, 2017. The resolution was approved by 640 members of parliament, 18 disagreed and 28 abstained.

The deforestation issue that has become a focus for the European Union has begun to see the palm oil industry as a contributor to deforestation. For a long time, negative campaigns have been directed at the CPO industry on the grounds of environmental damage caused by CPO production. However, the high production means that Indonesia also has a huge amount of oil palm farmland and will continue to grow every year. This has caused concern for the EU and its link to deforestation. The deforestation issue is directed at Indonesia and Malaysia, as the first and second largest CPO producers in the world, as well as the first and second largest importer to the EU. As the world's largest CPO producer, Indonesia has a large area of palm oil plantations, with 12,307,677 ha (Indonesian Plantation Statistics on Palm Oil Commodities, 2017:4). Therefore, it is not surprising that the issue of deforestation (forest clearing) is inseparable from the Indonesian palm oil industry, especially if land clearing is carried out in tropical rainforests. Thus, the resolution passed by the European Union in April 2017 to phase out and ban the use of biofuels made from palm oil. According to a report by *The Conversation*, the ban could reduce demand for palm oil. The content of the resolution is discriminatory as palm oil-based biofuels will be phased out earlier in 2020 and other biofuels in 2030 (Sasongko, 2018). The European Union has decided that 10 percent of transportation fuel by 2020 must use renewable fuels such as biodiesel. However, they have also banned certain crops such as palm oil from being used in the manufacture of biofuels and favored the use of materials such as soybean or rapeseed.

Replacing CPO with other vegetable oils will increase global food prices and is feared to make the environment more damaged because it makes palm oil producers, especially Indonesia, divert exports to other markets or countries that have less checking processes. Unlike the EU market which has a standardized checking system, namely RSPO. Thus, the resolution of palm oil by the European Union was denied by Indonesia. The resolution is considered an effort to maintain the existence of domestic vegetable oil and is an act of discrimination (Ministry of Foreign Affairs, 2018). Based on a 2013 study by the European Commission, of the total 239 million ha of land deforested globally within 20 years, 58 million ha were deforested due to the *livestock grazing* sector, 13 million ha from soybeans, 8 million ha from corn, and 6 million ha from palm oil or in other words, the total world

palm oil only contributed approximately 2.5 percent to global deforestation (kemlu.go.id, 2018).

A European Commission study titled *Economic Impact of Palm Oil Import in the EU in 2014* stated that every year the European Union imports around 6.4 million tons of CPO from Indonesia and Malaysia. Thus, if CPO imports are restricted and consumption is stopped, the EU must replace CPO with other vegetable oils. As is well known, the EU has vegetable oils, namely, RSO, SFO and SBO. If CPO consumption is replaced by RSO, SFO, or SBO, it means that the EU needs to expand the production land of the three vegetable oils. However, this could result in deforestation. While producing RSO, SFO, and SBO, the EU must convert 70 percent of agricultural land for 10 percent of biofuel made from vegetable oil and to replace 6 million tons of CPO, the EU must open new RSO and SFO land around 14 million ha and SBO around 14 million ha (GAPKI, 2017). Thus, replacing palm oil with RSO, SFO, and SBO is not the right policy to reduce deforestation, but instead creates new environmental problems by clearing more land than CPO.

The land conversion that EU vegetable oil requires more than CPO indicates that the EU's motive for banning Indonesian palm oil exports is not based on environmental conservation (GAPKI, 2017). By stopping palm oil exports from Indonesia, the EU seeks to develop vegetable oil products domestically, so that it can grow or develop the domestic economy. Thus, it is clear that the EU is protecting the domestic vegetable oil industry in this case RSO, SFO, and SBO.

Conclusion

In April 2017 the European Union (EU) passed a resolution on palm oil and deforestation of rainforests. The resolution was titled *Report on Palm Oil and Deforestation of Rainforest*. The resolution became an obstacle for Indonesia's palm oil exports to the European Union and became the basis for the CPO trade dispute between the two. This is because the resolution contains a ban on Indonesian CPO exports by accusing Indonesia of producing CPO that causes deforestation. In fact, CPO plays an important role in meeting the need for vegetable oil and contributes tax revenue to the European Union. Thus, if the EU bans Indonesia's CPO exports, then the EU must replace and clear land with other vegetable oils, such as RSO, SFO and SBO. Thus, the EU will suffer losses and contribute to deforestation by banning Indonesian CPO exports to the European Union.

Based on the discussion in the previous chapter, the author concludes that the EU's motives in banning Indonesian palm oil exports in 2017 are:

1. The motive of Indonesia's CPO export ban policy by the European Union is to develop domestic vegetable oils (RSO, SFO, SBO).
2. The policy of banning Indonesian CPO exports by the European Union as outlined in the *Report on Palm Oil and Deforestation of Rainforest* in 2017 is a form of protection against domestic vegetable oil.

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