

EU-INDONESIA CHALLENGES IN RESPONDING TO PALM OIL SUSTAINABILITY

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Abstract

This research article aims to identify the challenges and possible solutions of sustaining palm oil between the European Union and Indonesia by means of diplomacy. Here we have discussed that the European Union with their assumption to restrict if not ban the usage of palm oil and use sunflower oil as an alternative to reduce the extensive deforestation in Indonesia. There are several possible solutions from public diplomacy to lobbying and corporate diplomacy with the purpose to gather and coordinate any type of stakeholders, hence, the lobby is to unify the movement with central leadership.

Keywords: Banning of Palm Oil, Deforestation, European Union and Indonesia Palm Oil

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1. Introduction

Renewable energy according to the Natural Resources Defense Council is energy that comes from natural sources or processes that are continuously replenished. Sunlight that continues to shine or the wind that continues to blow, although its availability varies at the time and weather, are examples of renewable energy. Another example of renewable energy are wind, biomass, geothermal, biogas which include landfill gas, wave and tidal power. Renewable energy provides a reliable supply of electricity and fuel differentiation, which aims to increase energy security and reduce the risk of fuel spills as well as reduce the need for imported fuels.

In December 2018, the European Union had revisited the RED and is now known to be RED II in order to ban the use of palm oil because it further contributes to deforestation in Indonesia; thus, palm oil is replaced by sunflower oil which is produced in Europe. The result of the ban had impacted the lives of small farmers in Indonesia as those small farmers contributed the largest amount to have exported to the European market. Furthermore, palm oil is very versatile compared to others from consumption, cosmetics, and fuel.

Though, there has been evidence which had the European Union to reconsider their decision. Evidence such as the false accusation that palm oil impacted the environment such as deforestation and/or hasten it, on the contrary, palm oil contributes to climate change mitigation by preventing the occurrences of illegal slash-and-burn clearing which causes thick haze that wraps around Southeast Asia.

Biofuel is a liquid transportation fuel such as biodiesel and bioethanol. Biofuel itself is made from biomass. Chemically, biofuel is alcohol produced by fermenting raw materials from starch and sugar. One of the prominent biofuels is ethanol, consisting of biomass such as sugar cane and corn. The European Union has its own subsidiary body that deals specifically with all energy related matters, namely the European Energy Commission. According to the European Energy Commission, biofuels emit less carbon dioxide, they do not contain sulfur compounds, and are believed to be more efficient because of their higher energy density.

The application of biofuels by the EU began in 2003. Then in 2009, the EU Commission issued two main directives that discussed support for increased use of renewable fuels for 2020. The Renewable Energy (RED) Guidelines mandate that 20 percent of all energy use in the EU, including at least 10 percent of all energy on roads as well as transportation fuels, will be produced from renewable sources by 2020. Alongside the RED, an Amendment to Fuel Quality Directive (FQD) was passed requiring that by 2020.

The EU established a few initiatives in concern to reduce carbon emissions such as the Renewable Energy Directive (RED) and Energiewende. The RED are responsible for 75% of the EU's greenhouse gas emissions. Also equally distributing the use and production of renewable energy towards different economic sectors, hence, is the foundation in achieving an integrated energy system of climate neutrality for Europe. This has also emerged plans such as the Green Deal which sets Europe's path of climate neutrality by 2050 by decarbonization of all sectors of the economy and higher greenhouse gas emission reduction for 2030. The Renewable Energy Directive (RED) established a policy in production and promotion of energy from the use of renewable energy sources in the European Union. The policy requires that the EU needs to fill 32% at the least from its total energy needs with renewable energy by

2030 and work towards its achieved progress. The progress includes the achievement of the EU's 20% target of renewables by 2020.

The Energiewende is a long-term strategy in the development of a low carbon energy system which is based on renewable energy and energy efficiency. The initiative is an integrated policy which addressed all sectors of the economy and is built by several policy documents namely the Renewable Energy Act (EEA) by 2000 and the Energiekonzept strategy by 2010. It's success solely depends on the innovation of technology through the realization of further research and development activities.

2. Literature Review

The banning decision made by the European Union on the import of palm oil can make the image of the Indonesian palm oil industry worse in the eyes of the international community, especially in Europe, where in this region a negative stigma against palm oil is often given, where such a stigma is associated with palm oil. With the issue of human rights violations, corruption, child labor, and deprivation of the rights of indigenous people, if the negative stigma of the European Union against palm oil continue to grow, then the International Community will think that the stigma is correct and it can suppress Indonesian palm oil exports which in turn will cause a decline in the price of palm oil in the international market. The global world will judge that the negative stigma against Indonesian palm oil is true. So that they will do the same prohibition, hence, know that Indonesia is a producer of palm oil and one of the largest exports in the world. The significant drop in palm oil prices and the decline in the export value of Indonesian palm oil could result in the closure of the domestic palm oil industry. The decline in the domestic palm oil industry will have an impact on the absorption of palm oil production from farmers, and this will also have an impact on farmers in conditions that can cover the livelihoods of 5.3 million heads of oil palm farmer families, and decrease the welfare of farmers. The decline in oil palm prices will have a significant impact on the socio-economic conditions of farmers, both in terms of income, education and health.

Since the negative campaign against palm oil began to emerge in 2017, CPO prices have continued to experience a downward trend. Especially when it starts to act as law. Not to mention, there are predictions that this year Indonesia's palm oil production will still increase, and this could destroy the price of palm oil. The impact will be huge for the Indonesian economy, because palm oil exports account for 12% of total non-oil and gas exports. If the value of Indonesia's main exports is cut, then the trade deficit is likely to be more difficult to avoid, and in the end, it could widen the current account deficit (CAD) which has touched 2.98% of Gross Domestic Product (GDP) in 2018 The rupiah exchange rate is at stake.

Indonesia's diplomacy towards the European Union related to the resistance of palm oil exports to the European Union uses one theory, namely the theory of international trade, and three related concepts, namely the concept of exports, the concept of resistance, and the concept of economic diplomacy. Indonesian diplomacy related to resistance, namely that the European Union made accusations of environmental issues related to Indonesian palm oil due to vegetable oil entrepreneurs other than palm oil, the European Union felt that it was being rivaled by Indonesian palm oil products which were more in demand by the people of the European Union.

Indonesia, as the largest palm oil-producing country in the world denies this accusation and negotiates with the European Union so that Indonesian palm oil export activities to the European Union can continue, Indonesia and the European Union carry out economic diplomacy as government to government, business to business, government to business.

3. Literature Review

In our research paper we aim to get a better understanding on the current situation of the European Union and Indonesia with the banning of palm oil for sustainable energy with its arising issue in Indonesia for farmers and exploitation by the EU and their market by the EU's Renewable Energy Directive policy. We had also used secondary data on our research to further analyze and explain the case between the EU and Indonesia. The secondary data which consists of websites, articles, and journals from government departments records and data with its purpose was for research. In our secondary data collection, we used qualitative and quantitative methods. The method consists of literature review where we evaluate existing literature and trends within the researched topic. The research methods we used for this paper are from Meta-analysis and Content analysis. Meta-analysis is where we analyze our data from a variety of sources and Content analysis is a collection of data such as from literature reviews or other sources which in our case are from scholarly articles and academic journals. We had only used google to search said sources and google translate to help get a better understanding from a different perspective as a tool to help us in our research paper.

4. Results and Discussions

As explained about the relation between EU and Indonesia in palm oil issued above, there are several problems that are faced by Indonesia and EU in global marketing in the palm oil sector. The first problem that occurred between the EU and Indonesia is about how high productivity and lower prices made palm oil production in Indonesia considered as a competitor goods of the European Union vegetable oil in the global market. The three kinds of oils that are produced by the European Union are superior goods for farmers in the country. The presence of palm oil, especially those produced by Indonesia threatens the sustainability of the EU vegetable oil material. The superiority of palm oil and its outgrowth products causes the development of palm oil in the international market to be exceptionally high and finally puts burden on other vegetable oil goods, specifically for the European Union.

RED brings destruction to Indonesian palm oil sector and that's because the existence of RED in the exchange relations between Indonesia and to European Union as a most strategic market breaks off the development of palm oil imports as a raw perceptible for biofuels. The second problem that faced by the European Union and Indonesia is about the European Union's RED Trade, because the European Union's Protection Measures for Indonesian Palm Oil and Deforestation of Rainforest from the European Commission notably state that Indonesia and Malaysia are states with massive rates of logging due to oil palm plantations. The protection of non-tariff enterprises on palm oil imports led to a reduction for Indonesian palm oil imports that

had been done by the European Union which then became the next problem between Indonesia and the European Union. This condition then concerned the development of Indonesia's palm oil manufacturing and export because the European Union is the most strategic display in marketing. It also affects the price of palm oil, which has been declining from 2018 to 2019. The last problem that occurred because of this is there are several Environmental damages caused by the reconstruction of primary forest and peatland in Indonesia's palm oil forest which then made the Indonesian government respond to this.

Problem-Solving:

- The effort of Indonesian Government

Addressing the issues brought by the European Union in limiting palm oil, Indonesia issued a claim to refute this issue. Here are a few claims the Indonesian government to deny the black campaign carried out by the European Union:

1. The largest GHG (greenhouse gas) emissions globally are carbon dioxide gas which reached 92% of total global GHG in 2011.
2. The largest emitters of GHG from global agriculture are China, Brazil, India, United States, Union Europe and Argentina.
3. Deforestation occurs in countries that have non-tropical forests, Meanwhile, countries with tropical forests tend to experience reforestation.

Various studies have been carried out by the Indonesian government, in collaboration with the epistemic community in an effort to fight the promotion of the European Union in banning the use of palm oil. Even the Indonesian ambassador to the European Union, Arif Havas, in a seminar regarding European Union has always emphasized the importance for the Indonesian people to conduct research and promote Indonesian palm oil on a global stage. This is the culmination of Indonesia's dissatisfaction with the black campaign that became rampant and even became advertisements in European television. responding to accusations about palm oil which creates the greenhouse effect, it is explained that in fact, per capita emissions Indonesia has 1.8 metric tons while the European Union has 7.5 metric tons. This matter can actually prove that the number of emissions that occur in Europe is more than that occurred in Indonesia which was initially accused of contributing to large-scale gas emissions due to the use of palm oil. Indonesia must persuade the world of the importance of protecting its palm oil industry, which is under attack from the black campaign, by providing concrete evidence.

- Public Diplomacy

In order to overcome the black campaign against palm oil commodities in the EU, the role of public diplomacy is critical in the fields of informing, education, and culture directed to foreign countries with the goal of influencing governments through influencing their citizens. The primary goal of public diplomacy is to create a sense of community in foreign countries. It is defined precisely by its intent to persuade the issue in communities, rather than simply communicating information. National states will need to communicate in order to influence the politically relevant behavior of people in other countries.

- Lobbying and Corporate Diplomacy

It is insufficient that the issue of palm oil is only addressed by the Indonesian Embassy in the European Union. The embassy's purpose is to gather or coordinate any type of stakeholder who has a special feeling and interest in lobbying or corporate diplomacy. The lobby is organized as a unified movement with a central leadership.

Individuals and organizations that make up this broad coalition occasionally disagree on specific policy issues. The organizations and individuals who carry out the lobbying operate openly and in the same manner as other interest groups. In this context, there is fierce lobbying around the RED revisions, just as there was when European farmers and Green groups wanted to ban palm oil. Members of the EU Parliament and several EU governments supported the lobbyist. Some EU member states, on the other hand, who have ongoing trade relations with Indonesia and Malaysia, were not willing to ban palm oil. Lobbying's primary function is to influence the legislative process, norms, and regulations issued by the government, regular authorities, or public institutions. The European Commission made the fundamental statement in order to make a regulation of the Renewable Energy Directive. How lobbyists influenced the decision to prohibit reducing palm oil in biofuels. Furthermore, it was stated that it must prioritize the forestation, the welfare of oil palm smallholders, as well as the Indonesia climate.

5. Conclusions and Recommendations

In conclusion from our analysis stated above, it can be concluded that the banning of palm oil by EU's policy called RED has caused several problems for Indonesia's palm oil sector and its farmers with the EU suspicion on climate change which affects deforestation and increases deforestation based on assumption. The ban also affects the price of palm oil ever to decline from 2018 to 2019. Thus, various diplomatic solutions arose by Indonesia and the EU such as from public diplomacy in its goal to create a sense of community in foreign countries, lobbying and corporate diplomacy where its goal is to gather and coordinate any type of stakeholders and the lobby is to unify the movement with central leadership.

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