

**ANALYSIS OF THE INFLUENCE OF INTERNATIONAL TRADE
POLICY ON THE INDONESIAN ECONOMY
(Case Study when Oil Palm is discriminated in the EU)**

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Abstract

This study aims to determine the efforts made by Indonesia in fighting for the Indonesian palm oil industry, as well as to describe the political and business motives that are the roots of the emergence of discriminatory resolutions. The method used is a qualitative approach. The object of this research is the policies and strategies in dealing with the black palm oil campaign carried out by the European Union Parliament. The data collection technique used is the Library Research Technique. According to the findings of this study, the European Union's claims are contradictory to the facts. Research demonstrates that the European Union denies a number of facts, focusing instead on Indonesia's errors as a protectionist tool. Indonesia has the right or authority to bring this issue into the realm of international law if the results of this research can be found with certainty and can be legally accounted for.

Keywords: *Economic Diplomacy, Indonesia-EU Relations, Palm Oil Industry*

1. INTRODUCTION

Indonesia is the largest producer and consumer of palm oil in the world, the palm oil industry has become a vital part of the Indonesian economy (Purba & Sipayung, 2018). Indonesia supplies approximately 50% of the world's palm oil requirements. According to data from 2007, Indonesia's oil palm plantations cover 14,03 million hectares and can produce approximately 38,17 million tons of palm oil (Saragih & Rahayu, 2022). Indonesia supplies approximately 55% of the world's total palm oil production of 58,9 million tons with this output. Indonesia is the largest coconut oil producer in the world, surpassing Malaysia, Thailand, and Colombia (Rifai et al., 2014).

As demand for palm oil products grows both domestically and internationally (especially in emerging markets like China and India), the Indonesian government is encouraging the expansion of oil palm plantations across the country. Most plantation concessions in Kalimantan and Sumatra have been sold.

Therefore, Palm Oil has a substantial impact on a variety of food and non-food industries. In this case, 80% of palm oil is used in the food industry, 19% in the cosmetics industry, and 1% to meet renewable energy requirements in the biodiesel industry (Sally, 2016). It is estimated that global palm oil production exceeds 45 million tons, with Indonesia and Malaysia being the leading producers and exporters. Indonesia controls roughly 47.6% of the worldwide palm oil market. Indonesia has 8.4 million hectares of palm oil cultivation land. Gapki's records indicate that 52 percent of this land is cultivated by private companies, 42 percent by smallholder oil palm plantations, and 6 percent by state-owned companies

(Listyowati, 2012). This oil palm plantation is also the answer to the labor shortage in Indonesia. The plantation industry generates approximately 108 thousand jobs annually, particularly in oil palm plantations.

The magnitude of the palm oil industry in Indonesia has a significant impact on labor absorption. Approximately 4.2 million individuals are employed directly in the palm oil industry, while 12 million individuals are employed in the palm oil derivatives industry. (Boestami, 2020). Erman (2018) explain that some smallholders also have their own oil palm plantations in Indonesia, although most oil palm plantations are owned by companies. Hence, it is not surprising that the palm oil industry has become so valuable to the Indonesian economy, particularly in terms of exports (Cahya & Maula, 2021).

According to Suwarno, (2019) The publication of the European Union Parliament's Resolution on Oil Palm and Rainforest Deforestation on 4 April 2017 affected several Palm Oil Industries in Indonesia. According to Sally, (2016) The European Union became Indonesia's second largest export market and also the third largest source of imports in 2012. in accordance with Suwarno, (2019) In 2016, Indonesia's palm oil exports were worth more than its exports in other non-oil and gas sectors. The disruption of Indonesian palm oil exports to the EU will have repercussions on the Indonesian economy as a whole, given the strategic position of this issue in Indonesia. Therefore, the issue of palm oil is a crucial component of Indonesia's economic diplomacy efforts, which involve all parties. This study seeks to examine the efforts made by Indonesia to protect the Indonesian palm oil industry, as well as the political and economic motivations underlying the emergence of discriminatory resolutions.

2. RESEARCH METHOD

This study was conducted using a qualitative methodology. The focus of research is on the policies and strategies for dealing with the black campaign conducted by the European Union Parliament and the challenges that Indonesia will face in relation to the palm oil issue. The research findings are then compiled and selected for later explanation or description. The data collection method employed is library research.

3. RESULT AND DISCUSSION

The European Union parliament passed a resolution on palm oil and rainforest deforestation on April 4, 2017, with the ultimate goal of prohibiting imports of palm oil incompatible with sustainable development by 2020 (Arifin & Sari, 2020). This resolution, titled "Palm Oil and Deforestation of the Rainforests", this was conveyed on the basis of the claim that the expansion of the palm oil industry is the main cause of deforestation and climate change which has a negative impact on nature.

This resolution highlights a number of issues that are believed to be plaguing Indonesia's palm oil industry and have attracted the attention of western countries in recent years. In addition, the resolution requested that palm oil be excluded from the category of feedstock for the EU's biodiesel program by 2020. Two months later, in June 2017, the Norwegian Parliament passed a similar resolution urging the Norwegian government to ban the use of palm oil. general use and procurement of palm oil and all its derivatives.

In its resolutions regarding palm oil and rainforest deforestation, the European Parliament has expressed the following general points of view: Recalls that Malaysia and Indonesia are the primary producers of palm oil, accounting for an estimated 85-90 percent of global production; applauds the fact that primary forest levels in Malaysia have increased since 1990; and expresses concern over Indonesia's current deforestation rate of -0.5 percent per year. This resolution discriminates against palm oil producing nations and contradicts the position of the European Union as a champion of open, rules-based, free, and fair trade.

The data and information utilized regarding the growth of palm oil and forest management in producing nations, such as Indonesia, are not accurate and verifiable. Moreover, this resolution disregards the perspective of multiple stakeholders and includes a negative comment about palm oil. Palm oil has been linked to corruption, child labor, human rights violations, the infringement of the rights of indigenous peoples, deforestation, and habitat destruction, among other problems. In addition, the resolution urges the substitution of sunflower seed and canola oil for palm oil (Sari, 2017). Efforts are also made to prevent the palm oil industry through a single certification scheme for palm oil entering the EU. The EU will gradually eliminate the use of deforestation-causing vegetable oils beginning in 2020.

The passage of this EU resolution has a negative impact on Indonesia's economy, especially in light of the recent layoffs caused by the decline in palm oil prices. Due to the decline in palm oil prices, it is difficult for companies to pay palm oil workers' wages. According to Mr. Agus, the price of palm oil decreased in 2019, and the EU subsequently accused Indonesia of subsidizing the plantation industry. EU has filed a lawsuit with the WTO. Indonesia has not been demonstrated to have provided the alleged subsidies.

Indonesia issued a statement to refute the European Union's claim that palm oil restrictions are unjustified. The Indonesian government has asserted the following in response to the black campaign conducted by the European Union:

- 1) In 2011, carbon dioxide gas accounted for 92 percent of all GHG (greenhouse gas) emissions worldwide.
- 2) Global energy/fossil fuel consumption is the largest contributor to CO₂ emissions, accounting for 56 percent of the total, while land development accounts for 12,2 percent.
- 3) The United States, China, India, Japan, Russia, Canada, Germany, Iran, South Korea, and the United Kingdom are the nations that emit the most Fossil Fuel.
- 4) Brazil, the United States, India, China, Argentina, and the European Union are the top six agricultural emitters of greenhouse gases.
- 5) Countries that have non-tropical forests sometimes experience deforestation. in contrast to countries that have tropical forests tend not to experience deforestation.

Government development plans in Indonesia continue to emphasize biofuels, and achieving these targets could have significant implications for the country's land use. Taking a look back at the current situation and examining the role of legal and policy frameworks in shaping the development trajectory of biodiesel and related oil palm plantations is therefore essential."

To counter the European Union's support for palm oil bans, the Indonesian government collaborated with the scientific community to conduct a series of studies. During seminars on the European Union, even the Indonesian ambassador to the European Union, Arif Havas,

emphasized the significance of conducting research and promoting Indonesian palm oil internationally. This was the culmination of Indonesia's discontent with the black campaign, which spread to Europe and became a television commercial.

4. CONCLUSION

The European Union had health and environmental objections to Indonesia's palm oil exports. Reports indicate that Indonesian palm oil is high in saturated fat, poorly managed, and contributes to global warming and deforestation via land clearance. Indonesia's most valuable export commodity is palm oil. The clearing of palm oil-producing land has the potential to generate employment opportunities, thereby alleviating Indonesia's unemployment issue. The Indonesian government is conducting numerous studies to refute the European Union's findings. The study's findings demonstrated that the European Union's claims were inconsistent with the findings.

According to research, the European Union denies a number of facts as a protectionist measure, focusing instead on Indonesia's errors. Indonesia has the authority to incorporate this issue into international law if the results of this research can be verified and accounted for. Indonesia may choose to bring this case before the regime that regulates the issue of protectionism through forum shopping. The authors propose government action to combat the issue, as no such effort exists at present. Additionally, the government can certify that Indonesian palm oil products meet European standards, allowing Indonesian palm oil to once again compete effectively on the EU market.

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