

Conflict Dynamics Of Protectionism Policy Trading Of Biofuel Commodities Between Indonesia And The European Union

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Abstract

The dynamics of the conflict in bio-fuel commodity trade policies was triggered by the conflict of economic interests between Indonesia and the European Union. A series of steps for negotiation and diplomacy were taken by the government and Indonesian business actors to negotiate and resolve these problems by holding talks with important (state) actors in Europe.

Keywords: conflict, negotiation, diplomacy, biofuel



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I. INTRODUCTION

The European Union is a region in which countries use vegetable oil as renewable energy that is more environmentally friendly to meet their food and non-food needs. There are various types of vegetable oil that are used and one of them is palm oil, a commodity that almost 75 percent of the EU imports from three Asian countries, namely Indonesia, Malaysia, and Thailand. However, on 17 January 2018, the European Parliament agreed that starting from 2021 the contribution of biofuels produced from palm oil will be zero (0%) in the calculation of gross energy consumption from renewable energy sources in EU member states. After the European Parliament adopted amendments to the legislative proposal regarding the revision of the Renewable Energy Directive (RED).

The European Union issued this decision because Indonesia as the largest palm oil-producing country in the world is considered to provide too much space for oil palm plantations so that it has an impact on deforestation which will later be converted to the benefit of the palm oil industry, so that palm oil is considered no longer renewable energy because, In the production process, Indonesia is accused by the European Union of causing harm in both the environmental sector and human rights violations.

Indonesia is the largest palm oil-producing country in the world with 40.5 million tonnes in 2018 followed by Malaysia (21 million tonnes) and Thailand (2.9 million tonnes) as countries that also produce and export similar commodities. Palm oil is indeed one of the commodities that are a mainstay in improving the economy in Indonesia, the export results

of palm oil are an important source of foreign exchange for Indonesia, especially in the non-oil and gas sector.

However, on 30 November 2016, the European Union Commission proposed a reduction in palm oil through a legislative proposal in the European Parliament. Based on the summary of the proposal, several provisions are proposed that amend/add new points to the previous document. The share of crop-based biofuels that can be counted towards the EU's renewable energy targets will be gradually reduced to 3.8% by 2030. This share is one of the changes proposed by the European Union Commission on the direction of renewable energy.

Then the discussion was held again on December 6, 2017, at that discussion, the European Parliament's Committee on Industry, Research and Energy issued a recommendation that was increasingly burdensome for the palm oil industry, namely that the contribution of biofuels produced from palm oil would be reduced by 0% starting 2021. After this was done The plenary meeting, finally on January 17, 2018, to be precise at the European Parliament building in the city of Strasbourg, a vote was carried out by the European Parliament. As a result, the proposal which regulates the ban on the use of palm oil as a material for biofuel was approved by 492 people. Meanwhile, 88 members of parliament rejected and 107 others declared abstain. Based on these results, the European Parliament decided to agree on the amendments to the legislative proposal regarding the revision of the Renewable Energy Directive (RED).

In addition to the Renewable Energy Directive (RED), in early 2017 the European Union through its parliament also issued a resolution containing data on reports that consider that palm oil production has an impact on deforestation. The European Union's Committee on Environment, Public Health, and Food Safety stated that the expansion of land carried out for the oil palm industry has a very bad impact on the environment and also there are human rights violations in the industry, such as the employment of minors. The European Union's claim that the palm oil industry damages the environment is guided by the values adopted by the European Union parliament as the basis for the proposed palm oil resolution which consists of international treaties and agreements that promote a long-term, progressive and sustainable development vision. This resolution is now better known as the European Union Parliament's Palm Oil Resolution or Report on Palm Oil and Deforestation of Rainforest (Hadiwinata, 2002).

Throughout 2018, Indonesia exported 29.6 million tonnes of palm oil. This number increased by 2% from the previous year. However, the rate is slower than in 2017 which reached 20%. Meanwhile, the increase in export volume was not accompanied by an increase in export value. The value decreased by 12% to the US \$ 18.2 billion from the previous year, namely US \$ 20.7 billion. This export value decreased in line with the 21% drop in the price of palm oil in the international market to the US \$ 535 / ton from the US \$ 679 / ton the previous year. The fall in prices was driven by the dynamics of oil palm in the global market including the negative campaign carried out by the European Union (Bakry, 2016).

II. LITERATURE REVIEW

Mercantilism

Mercantilism is protection or protection for domestic economic production so that domestic superior commodities can compete in international exchange or trade (Malik, 2017).

There are two main things that can be understood from the theory of mercantilism. First, mercantilism is understood as an effort or method used by the government to exploit wealth and power to protect national industries and their national interests. Second, the theory of state mercantilism is required to play an active role in promoting the domestic industry. In order to succeed in maximizing its domestic product, the state tends to implement protectionist policies to help its industry to compete with other countries' industries.

Protection in this national industry will be in the form of a Tariff Barrier and Non-Tariff Barrier. Tariff Barrier here is a protection policy by increasing import duties and administrative surcharges that are quantitative in nature, while Non-Tariff Barriers are by means of prohibitions, quota systems, technical provisions, benchmark prices, health regulations, and others. Non Tariff Barrier itself can be divided into two categories, namely quantitative restrictions and qualitative restrictions. Quantitative Restrictions focus on efforts to reduce the inflow of foreign products to the domestic market by limiting the number of goods allowed to enter. In practice, quantitative restrictions consist of two aspects, namely:

a. Quota System

The establishment of quotas is the most common form of quantitative restriction in which a country allows the import of only a certain quantity of a product.

b. Voluntary Export Restraint (VER) - Voluntary Export Restrictions

VER is basically an attempt by a country to persuade exporters (both state and private companies) to voluntarily limit their exports to the country's territory. Basically, this system is also a quota which initiates come from the exporting party, not the importers. VER is usually carried out by importing countries to prevent the inflow of goods from outside without having to proclaim themselves as a protectionist country.

Efforts to limit the flow of goods from abroad can also be done qualitatively by establishing certain rules so that by themselves it prevents the entry of goods that do not meet the stipulated regulations; with the following classifications:

- a. Group A (quantity limitation): includes various efforts to enforce regulations (such as restrictions on the purchase of goods from certain countries, prohibition of the export of raw materials, and campaigns for the use of domestic products).
- b. Group B (price-setting): includes various subsidies and tax relief policies specifically for exporters as well as multiple exchange-rates (exchange rates of different currencies) for each item with the intention of making domestic products cheaper than products abroad (Sattar, 2017).

III. RESEARCH METHODOLOGY

The research method used in this research is descriptive qualitative. The data collected is in the form of secondary data either through journals or library data sources.

The first step of the research was to collect data in the form of document analysis and literature study. The next step is to analyze the data from the secondary data sources using the Content List Analysis Method. The final step is checking the validity of the data using the Triangulation Method and induction to get conclusions from various relevant data. Meanwhile, the Focus Group Discussion (FGD) was used to obtain additional data and information from expert sources on related issues.

IV. FINDING AND DISCUSSION

Direct action through diplomacy has been taken by Indonesia to address the palm oil issue in the European Union. Indonesia has approached institutional diplomacy lobbies or official discussions as follows:

1. Diplomacy with Sweden

The step taken by Indonesia is to establish diplomatic relations with Sweden in the palm oil sector or CPO. Indonesia and Sweden have the same thing in applying their foreign policy. This role is increasingly prominent, including in deploying UN peacekeepers and supporting the independence of the Palestinian state. Bilateral relations are also increasing along with advances in communication information technology, tourism, and other opportunities in the environmental sector.

The King of Sweden's state visit on 21 May 2017 to Indonesia is one of the great opportunities for bilateral cooperation and has a positive effect on business people. At that time the King of Sweden and Queen Silvia had brought 35 Swedish company leaders who were interested in investing in Indonesia. Until now, there is still a lot of economic cooperation that the two countries will improve. For example in the fields of investment, energy, and the environment.

Figure 1
The State Visit of the Swedish King Carl XVI Gustaf to Indonesia



Source: The arrival of Swedish King Carl XVI Gustaf which was greeted simply <https://www.rappler.com/indonesia/berita/170520-raja-ratu-swedia-kisata-indonesia-secara-simpoly> , accessed in August 2020.

Figure 1 shows the arrival of Swedish King Carl XVI Gustaf and Queen Silvia at Soekarno Hatta Airport, Indonesia on May 21, 2017. The arrival of the King of Sweden was greeted by King Carl XVI Gustaf greeted by the Minister of Research, Technology and Higher Education, Muhammad Nasir, Director General of America and Europe The Ministry of Foreign Affairs, Muhammad Anshor, and the Indonesian Ambassador to the Kingdom of Sweden, Bagas Hapsoro.

At this momentum, Indonesia has agreed on three collaborations in various fields with Sweden. President Jokowi also welcomed the signing of the inter-governmental cooperation. Namely approval in the field of creative economy and airport navigation. Several collaborations were also signed separately, namely in the fields of innovation, science, and education financing. Sweden is currently developing a strategy to expand its technology and retail products to Southeast Asia, including Indonesia.

The issue of palm oil that was raised by EU politicians did not have much impact on Sweden, considering that business people still rely on the power of scientific evidence, not political sentiment. Sweden views Indonesia as the largest ASEAN country with natural resources and increasing human resources will certainly increase the number of middle-class economies.

The Swedish Institute has expressed interest in seeing the arrangement of oil palm forests in Kalimantan and Sumatra in November 2019 to see sustainable palm oil processing. Next, Sweden will certainly be very happy to share recipes for forest preservation since the Forest Law was promulgated in 1903. Studies and scientific transfers from Sweden are worth discussing and simulating.

2. Parliamentary Diplomacy with the European Union Parliament

Another step taken by Indonesia in responding to oil palm discrimination in the European Union is through P to P diplomacy, Parlemtent to Parlemtent. This is as expressed by the Special Staff of the Minister of Foreign Affairs, Peter F Gontha. It was conveyed that the

chairman of the Indonesian parliament (DPR) has written a letter to the European parliament. This has become Indonesia's parliamentary to Parlemtent diplomacy effort because the Report On Palm Oil and Deforestation of Rainforest has made the European Union Commission submit a Delegated Regulation Supplementing Directive of the EU Renewable Energy Directive (RED) II to the European Union Parliament for the prohibition of palm oil in the EU.

Peter suspects that this is an effort by the European Union to improve the EU's trade deficit against Indonesia. This is because the value of Indonesia's exports to the EU in 2018 reached US \$ 17.1 billion, while imports amounted to the US \$ 14.1 billion. Thus, Indonesia has a trade surplus against the EU.²⁴ Apart from writing a letter to the EU parliament, the Indonesian House of Representatives (DPR) has also written a letter to President Jokowi to take firm (definite) action. This step of parliamentary diplomacy to parliament is considered as a unitary step for Indonesia to oppose the EU decision. It is not only the government that rejects the ban on palm oil in the EU, but also by the DPR which is also trying to negotiate with the EU Parliament.

3. Multilateral Diplomacy Through CPOPC (Crude Palm Oil Producing Country)

In practice, CPOPC is always present in various international forums to clarify palm oil. Indonesia and Malaysia share similarities in the impact of the black palm oil campaign.²⁸ As of the ASEAN-European Union Summit, Indonesia and Malaysia made strong statements. The briefing was carried out by the Executive Director of the Association of Palm Oil Producing Countries (CPOPC) Mahendra Siregar and supported by the head of the Ministry of Foreign Affairs' Policy Research and Development Agency (BPPK), Siswo Pramono.

Indonesia strives to convey clearly the form of rejection of the Resolution. Indonesia as a major producer takes action to coordinate the attitudes of palm oil-producing countries through the CPOPC. Through the Indonesian Embassy in Brussels, Indonesia has coordinated the common attitude and steps that need to be taken by all palm oil-producing countries, from Southeast Asia, Central America and South America, and Africa in responding to this proposal. These attitudes and steps were issued simultaneously to the interest institutions of the European Union.

By including palm oil-producing countries, palm oil-producing countries can provide views and attitudes towards the wrong views of the European Union. The Coordinating Minister for the Economy Darmin Nasution led the Indonesian delegation in the Joint Mission of Palm Oil Producing Countries (CPOPC) in Brussels, Belgium on April 8, 2019. This mission was a follow-up to the decisions agreed upon at the 6th CPOPC Ministerial Meeting held on April 8, 2019. ²⁸ February 2019 in Jakarta.

Figure 2
Joint Mission of Palm Oil Producing Countries
(CPOPC) in Brussels, Belgium



Source: Achmad Dwi Afriyadi, detik Finance, "RI Begins Mission to Defend Local Oil Palm in Europe", <https://finance.detik.com/industri/d-4503202/ri-mulai-misi-bela-sawit-lokal-di-eropa> accessed on 23 August 2020.

Figure 2 is a photo of Indonesia's representative during the activities of the Joint Mission of Palm Oil Producing Countries (CPOPC) in Brussels, Belgium on April 8, 2019. At the meeting, a joint agreement was reached to discuss discriminatory measures posed by the European Union authorities regarding restrictions. use of Palm Oil for Bio Fuel.

The CPOPC Member States view the anti-palm oil law as a political compromise in the European Union aimed at isolating and excluding palm oil from the renewable energy sector. This is said to be done for the benefit of vegetable oil from Sunflower and Rapeseed as well as other imported vegetable oils such as Soya Bean oil which are less competitive.

Also attending the mission were Malaysian representatives led by Dr. Dato. Tan Yew Chong, Secretary-General of the Malaysian Primary Industry Ministry. Colombia, which acts as an observer country, is represented by His Excellency Felipe Garcia Echeverri, Colombia's Ambassador to the Kingdom of Belgium who is also Head of Colombia's Mission to the European Union.

In the view of the CPOPC, the intent of the proposed law is to limit and effectively prohibit all palm oil in the European Union from using BIO Fuel through scientifically flawed research using ILUC (Indirect Land Use Change) indirect land-use change. . This was stated by the Special Staff of the Minister of Foreign Affairs Peter Gontha in an official statement on April 9, 2019. Peter explained that the criteria used in the Report On Palm Oil and Deforestation of Rainforest and Delegated Act deliberately focused on palm oil as the cause of deforestation.

The CPOPC believes that the EU is using this Delegated Act to enforce a ban on imports of palm oil into the renewable energy sector which is mandated by the EU to promote self-grown vegetable oils in the European Union region. The CPOPC expressly raises concerns, because the assumptions are based on inaccurate criteria and cannot be scientifically justified as well as contradictions or contradict the facts.

V. CONCLUSION AND FURTHER RESEARCH

The EU Commission's political maneuvers clearly aim to remove palm oil from the EU market unilaterally not only harming palm oil-producing countries but also harming palm oil user corporations in the European Union which have made very large investments, especially in bio development fuel to replace fossil-based fuels. This is considered contrary to the European Union constitution and the International Convention in the field of Economic and Social Rights.

Through the CPOPC, Indonesia and palm oil-producing countries convey Government concerns to EU leaders and authorities. The hope is that it can pave the way for solutions that can be accepted by all parties involved, including stakeholders as users of palm oil from the European Union.

There is friction - National Interest friction between any actor in the International Community. The strategy so far that has been most effective in overcoming this problem is through diplomacy to reach an understanding between the disputing parties. Based on this research, the hope is that for the next research a model for the resolution of trade conflicts between countries can be made.

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