

The European Union's Interest in Implementing The Renewable Energy Directive II (RED II) Policy on The Issue of Discrimination Against Indonesian Palm Oil

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Abstract

The discrimination of Indonesian palm oil imposed by the European Union through the Renewable Energy Directive II (RED II) policy provides mixed and overlapping speculation. This is evident by the E.U.'s unpublished interest in the issue of discrimination against Indonesian palm oil. The purpose of this study is to find out the hidden interests or objectives of the European Union after imposing trade barriers on Indonesian palm oil exports, which will be reviewed through the theory of neo-mercantilism and also the concept of national interest. This research uses qualitative methods in collecting data related to problems using a descriptive approach to ensure a consistent understanding of the ideas considered. Our analysis shows unprecedented public interest in the European Union regarding discrimination against Indonesian palm oil. This is an effort to protect the European Union from their domestic vegetable oils being less competitive than vegetable oils from Indonesian palm oil. The European Union imposed trade barriers to prevent Indonesian palm oil from quickly entering the European market.

Keywords: *European Union, Palm Oil Discrimination, RED II.*

INTRODUCTION

The palm oil industry contributes significantly to improving the economy of the country of Indonesia. Indonesia itself is one of the world's largest manufacturers of the palm oil industry. At least approximately half of the world's palm oil supply is distributed by Indonesia. Data in 2007 stated that the palm oil plantation land, which covers an area of about 14.03 million hectares, has produced 38.17 million tons of palm oil. Compared to other vegetable oils, palm oil is the single most effective vegetable oil compared to other vegetable oils derived from soya

bean oil, sunflower oil, and canola oil. This means that palm oil can outperform competitors by providing more oil in one hectare of its plantation (Sutrisno Eri, 2021).

Although it has advantages over other raw materials, there may be negative impacts on the palm oil industry. Environmental problems due to palm oil are of much concern to the world, especially after the existence of a significant environmental-based agenda initiated by the United Nations, namely the Sustainable Development Goals (SDGs). One of the most critical aspects of the SDGs is environmental issues, so the international community is trying to realize the U.N. goals. Especially developed countries that no longer take care of their country's economic problems so that they have more time to pay more attention to environmental issues (Dhenada, Azhar, and Abror, 2021). The people of the European Union have developed countries that are very committed to realizing the SDGs, especially on environmental issues. The European Union responds to this ecological issue by making policies regarding the biofuel industry entering Europe through the Renewable Energy Directive II (RED II) policy (Jullio, 2020).

The RED II policy initiated by the European Union has come under intense criticism from the producing countries, especially Indonesia, as the world's largest palm oil supplier. What the European Union is doing is a step towards limiting palm oil export to the E.U. market. The reason is that Indonesia is considered to have failed to meet the target of at least 35% related to environmental sustainability in the palm oil industry, sustainable nature, biodiversity protection, and forest protection in Indonesia. This situation is the basis for the European Union to impose non-tariff trade barriers by anti-dumping imposed on palm oil originating from Indonesia (Rizkyan, 2018). This situation is very detrimental to the palm oil-producing countries, especially Indonesia. This, of course, will impact small farmers in Indonesia who depend on palm oil plantations which will cause a decrease in their income. Thus forcing the risk of increasing poverty in Indonesia, which is the most crucial point of the SDGs agenda (Simatupang, 2018).

In this research, we examined the discussion using the theoretical framework of neo-mercantilism and the concept of national interest to describe issues related to exporting Indonesian oil to European Union countries. Neo-mercantilism is a form of approach in the field of international political economy that originated from the emergence of the mercantilism approach that existed after World War II. However, the neo-mercantilism approach has a very significant difference if it is rooted in economic terms. A mercantilism approach is an approach

in International Relations popularized by Alexander Hamilton and Friedrich List. This approach to nationalism focuses on a policy of economic nationalism and also development in the local industrial sector aimed at suppressing the pace of exports and reducing imports from other countries.

Meanwhile, the neo-mercantilism approach focuses on protecting local products with the help of a more protectionist government in responding to the country's exports. This protectionist policy aims to protect domestic companies and preserve the country's national interests in the economic sector (Lars Herlitz, 2011). The concept of national interest is essential to analyze the interests of the European Union to impose discrimination against oil palm oil that enters the E.U. market. The European Union discriminates against Indonesian Palm Oil, intending to maintain the stability of other biofuel feedstocks, incredibly raw materials that can be produced in Europe. The national interest is often used in analyzing a country's decision-making process on its foreign policy. It also has the effect of supporting the strength, ideology, wealth, and political views of a country (Siregar, 2021)

Based on the above, regarding the discrimination against Indonesian palm oil entering the European market, it is exciting to discuss and provide views on the international community in response to this matter. This research is essential as a reference for the international community to address the discrimination against Indonesian Palm Oil entering the European market and not looking at it from a European perspective alone, but instead ignoring other aspects that Europe does not state. In addition, readers can understand what is behind the discrimination of Indonesian palm oil carried out by the European Union. Based on the explanation from the background above, we want to answer the main problem in this research, namely: Why does the European Union discriminate against Indonesian CPOs in the region?

METHODS

The method used in this authorship is a qualitative method with a descriptive approach to ensure a consistent understanding of the ideas under consideration. Descriptive research is research that describes the social context more clearly. According to Dr. Sugishirono (Sugiyono, 2013), descriptive research is the determination of values for free variables, single and double (independent), without comparing or associating with other variables. We obtain reading data from books, magazines, and websites and collect data using literature survey methods. Library materials are classified into primary and secondary materials. Primary literature sources are

references that are directly related to the subject matter of the study. Secondary library sources are sources of information pertaining to a topic but not providing a direct overview.

RESULTS AND DISCUSSION

EUROPEAN UNION INTERESTS AFTER IMPLEMENTATION OF RENEWABLE ENERGY DIRECTIVE II (RED II) POLICY

The RED II policy, which has been in effect since 2018, focuses on prohibiting the use of biofuels or what is commonly referred to as biofuels. Biofuels are any fuel made from organic matter, whether solid, liquid, or gaseous. Biofuels can be produced directly from crops or indirectly from industrial, commercial, domestic, or agricultural waste. RED II is now the basis for most renewable energy in Uni Eropa by setting legally binding targets (I.T., 2016). The target to be achieved in the RED II policy is 32% by 2030, which leads to consistency in the continuation of Europe in addressing the renewable energy climate contained in the Paris Agreement in fighting climate change and helping the climate goals.

The purpose of this RED II policy is as an effort to reduce air pollution in cities and surrounding communities, protect the environment in the European region by making clean energy producers, minimize dependence on energy imports, improve energy security by allowing business people, communities, and households became producers of such energy. Thus, it will provide opportunities for many jobs, and in the field of economy, Europe can attract new investment (Europe, 2018). The E.U. community seeks to promote renewable energy development over the next decade through the RED I I policy. This RED II policy is effective from December 24, 2018, through its renewable energy binding target to achieve a minimum of 32% environmentally friendly figure, which will begin to be implemented by European Union member states by 2030.

The ongoing policies generally include reducing greenhouse gas emissions, improving energy security, helping efforts to strengthen technology and the Europe industry in its leadership in the renewable energy sector, and generating many jobs for sustainable growth (Communities, 2021). Through the development of RED II by the European Union, it is expected to reduce dependence on petroleum and gas imports to increase security on energy supply in the short, mid-term, and not long term. The main path to the global energy transition remains in the European Union. RED II helps avoid potential recurring losses due to power outages in European Union countries. Rational planning can save consumption and increase

time in case of energy supply problems. Thus, Uni Eropa attaches great importance to energy efficiency for the success of RED II (European, 2021).

DISCRIMINATION OF INDONESIAN CRUDE PALM OIL (CPO) BY THE EUROPEAN UNION

The European Union is one of the regions dominated by developed countries. To meet food and non-food needs, countries in the European Union rely on or consume vegetable oils for daily use. However, palm oil is not the only vegetable oil consumed by E.U. countries. In addition to palm oil, European Union countries also consume vegetable oils that can be developed in their areas of residence, such as vegetable oils of flower seeds, sunflower, canola, and soya bean. Meanwhile, palm oil is a flagship product produced by Indonesia that cannot be distributed in the European Union (Mangeswuri, 2019).

The export of Crude Palm Oil (CPO), or what we commonly refer to as vegetable oil from Palm Oil, is one of the crucial commodities in trade in Indonesia to improve the economic sector. We can see from the contribution of income of k palm oil farmers who can reduce the poverty rate in Indonesia. It is recorded that more than 6.6 million tons of palm oil produced by smallholders account for more than 41% of the total oil palm plantations in Indonesia today. However, the process of export-import rate between palm oil distributed by Indonesia to the European Union sometimes went smoothly. It started when the E.U. responded to the inequality-made biofuel standards, which made the E.U. which made the main reason for the dismissal of anti-dumping customs imposed by the European Union.

A few years ago, the European Union began to make environmentally based standardization in various industrial sectors, especially in exporting oil palm oil to the European Union. The environmental policy made by the European Union in question is the Renewable Energy Directive II or (RED II) policy. Through this regulation, the European Union has stipulated that palm oil which is one of the most high-risk and unsustainable renewable energy raw materials. The classification imposed by the European Union on Indonesian palm oil is based on a report by the European Commission and the Council of Europe with the title Report on the Status of production expansion of Relevant t food and feed crops worldwide. The content of this report states that there is a link between palm oil and the rate of deforestation caused by oil palm plantations during the period 2008-2015 in Indonesia (Kusumaningtyas, 2017).

The reason is that oil palm causes a high deforestation rate of 45%, occurring in areas with high carbon reserves. Based on this, the European Union plans to gradually reduce oil

exports to the European Union, which will start in January 2024 (Sidik, 2018). The European Union discriminates against palm oil so that it does not quickly enter the territory of its countries. The European Union alleges that palm oil is a significant factor causing deforestation if it is produced on a large scale. However, this statement has been refuted by the Ministry of Agriculture, which states that the palm oil distributed by Indonesia meets the standards of international environmental law. Instead, the European Union has classified vegetable oil products from U.S. soybeans as low-risk and environmentally friendly vegetable oils.

This is a topic of discussion, which indicates the protection of domestic vegetable oil is not less competitive with palm oil vegetable oil (Fikri Muhammad, 2019). The discriminatory policies imposed by the European Union are certainly very detrimental to the Indonesian State as the largest oil-exporting country in the world. For the Indonesian State itself, palm oil is a superior commodity that plays an essential role in an increase in the foreign exchange of the Indonesian State in addition to oil and gas. Data from the Ministry of Commerce stated that oil palm oil had targeted foreign exchange for the country at USD 16.53 billion in 2018. Meanwhile, the export-import value carried out by Indonesia to the European Union in 2018 reached USD 17.1 billion and USD 14.1 billion. Then, the total trade of the European Union reached USD 31.2 billion (Suwarno, 2019).

This discrimination against Indonesian products has led to various condemnations from other palm oil exporting countries that are members of the Council of Palm Oil Countries CPOC association). The exclusion of palm oil exports by the European Union aims to advance local commodities from vegetable oil in the European Union. In addition, the European Union states that oil palm is one of the triggers of deforestation (Winanda, Priadarsini, and Nugraha, 2022). This is undoubtedly strongly refuted by Indonesia itself by showing data and reports from the Ministry of Forestry, which states that during the period 1950 - 2014, the conversion of forest areas into non-forest areas in Indonesia accumulated by 99.6 million ha. Meanwhile, the expansion of palm oil in that period amounted to 10.8 million ha. Thus, the development of palm oil plantations triggered the direct conversion of forest areas to non-forests in Indonesia (Djati Witjaksono Hadi, 2018).

E.U. INTERESTS AND REASONS RELATED TO INDONESIA'S PALM OIL CRIMINATION AFTER IMPLEMENTATION OF RENEWABLE ENERGY DIRECTIVE II POLICY

It is undeniable the possibility of misappropriation after the implementation set by the European Union on this issue. The European Union seeks to restrict the palm oil industry in its region by

removing palm oil from one of the primary commodities of their Biofuel raw materials. The main reason for the European Union, which is the basis for this problem, is the E.U.'s efforts to create an environment that is friendly to the world's ecosystems.

Deforestation is the fundamental reason initiated by the European Union which considers that it does not meet the environmentally friendly standards in RED II. In addition, the problem of deforestation carried out to open plantations of palm oil contributes to air pollution and pollution in the world (Andrian, 2018). Deforestation itself has caused significant problems, such as reduced oxygen supply and carbon sequestration in the world. Then it is exacerbated by the fact that palm oil-producing countries are dominated by countries with tropical climates as oxygen supporters around the globe with their tropical forests. Add to that the fact that oil palm plantations cause the loss of habitat biodiversity, which is very incompatible with the environment. Moreover, the fact that the palm oil industry has an impact on soil and water pollution in the surrounding environment (Setyoningrum, 2018).

However, E.U. policies such as RED II, which provides specific standards for biofuels entering the European Union and adversely affecting oil palm oil as one of the feedstocks of biofuels, leave some irregularities. The truth about palm oil as the most effective biofuel oil is ruled out. This means that commodities that will be substituted for palm oil will require more land than oil palm plantations if produced more massively. This will lead to more significant deforestation of forests than the palm oil industry produces. A better palm oil management system is more necessary than removing palm oil from one of the European Union's biofuel feedstocks and replacing it with other raw materials that are considered less effective. (Kartika, 2016). In addition, the RED II Policy initiated by the European Union is considered inconsistent with the European Union against the SDGs agenda, which is the main reason for palm oil discrimination.

The European Union only focuses on environmental values without regard to other aspects, such as poverty in the world. In reality, palm oil-producing countries are dominated by countries with tropical and developing climates and are also local non-governmental enterprises (Permatasari, 2022). Unlike the European Union countries, the majority of which are developed countries that do not need to worry about the issue of poverty in their countries, it is easier for E.U. countries to bring environmental problems as their top priority. This needs to be a consideration for the European Union itself, given that the RED II policy by disqualifying biofuels adversely affects smallholders in developing countries, the majority of which are palm oil producers. This fact needs to be elevated into the public domain so that the European Union

can reconsider the issue and look not only at one point and ignore other facts (Felisa Damayanti, 2020). The E.U.'s disqualification stance on palm oil indicates another intent behind it. This assumption is based on what biofuel feedstock will be a substitute for palm oil if palm oil is not allowed to enter the E.U. market.

Local commodities such as sunflower oil, canola oil, and soya bean oil benefit greatly from their massive industries to replace palm oil that cannot be developed in Europe (Setyoningrum, 2018). This sets aside the fact that local commodities will benefit more from palm oil discrimination because palm oil can no longer enter the E.U. market and will provide wider opportunities for other biofuel feedstocks. So the European Union's RED II policy automatically becomes one of the motives for advancing European domestic industries. The European Union's advantage over it can be regarded as an unpublished interest by the E.U. We need to know this fact so that it can be a consideration for the European Union to stop palm oil discrimination, especially from Indonesia (Kartika, 2016).

Various speculations have been present and stated that the issue of discrimination that enters the territory of E.U. countries aims to meet the domestic political interests of the E.U. itself. This is related to vegetable oil substitutes for palm oil produced in the European Union is not questioned for deforestation (Pratama, 2019). It was noted that the area of the four main types of land-making vegetable oils (palm oil, soya bean, flower seeds, sunflower, and canola) in 2016 was about 200.5 million hectares. Of this area, 61% is soybean plantation area, and only 10% is oil palm plantation area. However, regarding oil production, soya beans can only produce 53 million tons of oil, or about 33% of the output of the four vegetable oils previously mentioned. In contrast, 20 million hectares of palm oil land has produced 65 million tons or 40% of the other four vegetable oils. So, although the plantation area is less than other vegetable oil raw materials, the palm can produce more oil than raw materials other than palm oil (Wati, 2017).

CONCLUSION

The European Union is one of the regions where countries consume a lot of vegetable oil for food and non-food needs. The European Union attaches great importance to the RED II policy as a Uni Eropa energy security to reduce its high dependence on renewable energy imports and industrial opportunities. However, there are obstacles in the import and export tariff process between Indonesia and the European Union countries, and there is a reaction from the European Union that Indonesian palm oil needs to meet the standards set by the European Union. The

rejection was using anti-dumping by European Union. But behind that, European Union wants to maintain its domestic CPO industry.

In addressing this issue of discrimination, the European Union has a goal that they have never published in the public domain, namely, the protection of domestic commodities in the European Union. By discriminating against palm oil in the renewable biofuel feedstock sector, it will undoubtedly improve the biofuel feedstock industry that can grow in the European Union. So that by dismissing discrimination palm oil, it can help the stability of the biofuel raw material industry that thrives in the European Union.

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