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Unraveling disputes between Indonesia and the European Union on Indonesian palm oil: from environmental issues to national dignity

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ABSTRACT

Indonesia has been the largest palm-oil producer in the world since 2006. The country's palm-oil products are exported globally, including to member states of the European Union. In recent years, European countries have implemented increasingly stringent regulations on palm-oil imports, including from Indonesia, through policies such as the Renewable Energy Directive (RED) II. This study qualitatively analyzes Indonesia's responses to these policies. We collected data using in-depth interviews and focus-group discussions with government policymakers, activists from nongovernmental organizations, and oil-palm smallholders and entrepreneurs in Indonesia. We demonstrate that the European Union policy has experienced a shift in recent years which has made it more difficult for Indonesian palm-oil products to enter European markets. The Indonesian government views these policies as an environmental issue, a form of trade war, and a challenge to the sovereignty and dignity of the nation. The government's responses have included improvements to cultivation and business practices, demands for broader and more inclusive policies, and "resistance," for example, by referring the case to the World Trade Organization.

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Dignity; Indonesia; palm oil; sustainability; trade war

Introduction

Palm oil has favorable attributes that have prompted its widespread use compared to other plantation commodities from which vegetable oils are derived. Increasing global palm-oil demand has resulted in considerable financial benefits for smallholder households in palm oil-exporting countries such as Indonesia (Krishna and Kubitza 2021; Purnomo et al. 2020). Food consumption is not the only lucrative use of palm oil and it has been described as a "miracle crop" because of its diversity of applications including animal feed, fuel, pharmaceutical products, cosmetics, charcoal, gas, furniture, and as a building material (Pramudya 2018; Byerlee, Falcon, and Naylor 2016; Sarmidi, El-Enshasy, and Mariani 2009). Palm oil can also be regarded as a "zero waste" product as nothing is discarded from trees, midribs (vein running through the middle of a leaf), leaves, sticks, and fruit. These characteristics have prompted some analysts to describe palm oil as a "multipurpose plant" or a "flex crop" (see, e.g., Hinkes 2020). With such wide-ranging uses, international demand for palm-oil products continues to increase. This situation has encouraged the rapid growth of oil-palm plantations in Indonesia and affirmed the economic prospects of this commodity for both entrepreneurs and planters. Oil-palm plantations have become key drivers of national and regional economic growth, foreign exchange, state income, rural development, poverty amelioration, carbon-dioxide reduction, oxygen-cycle preservation, land restoration, soil and water conservation, carbon-stock and biomass improvements, and peatlands restoration. There is a persuasive argument that oil-palm plantations make a positive contribution to the targets associated with several of the United Nations Sustainable Development Goals (SDGs) (Purba and Sipayung 2017).

In contrast, the rapidly expanding production and development of oil-palm plantations have raised deep concerns, especially with respect to the

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environment (Austin et al. 2017). The agronomic technical-economic requirements of palm oil that involve using monocropping techniques on large plantations are responsible for landscape alterations and changes to the socioecological life of affected areas (Dharmawan et al. 2020; Santika et al. 2019). The expansion of oil-palm plantations has triggered land appropriations, agrarian disruptions, land conversion, and deforestation (Alonso-Fradejas et al. 2016). In addition, palm oil has been characterized as a "controversial crop" or "contested crop." For example, in 2021 in Switzerland, a referendum was held on the sustainability of Indonesian palm oil to determine the political and economic position of the product in the context of international trade between Switzerland and Indonesia. Typically, referenda are only held regarding very critical situations such as national independence. The referendum emphasized how palm oil has become an important issue in Europe and the desire of proponents was to ensure all supplies were compliant with sustainability standards. This matter has become not only an issue of ecology and economy but a source of political tension between the European Union (EU) and Indonesia (Dharmawan et al. 2021; Watts et al. 2021).

The controversies surrounding Indonesian palm oil are evidenced by the challenges of deforestation and territorialization of the economic interests of palm oil vis a vis the existence of forest areas (Brad et al. 2015). Indonesia is a major palm oil-producing country (Santosa 2008) and exports of the product continue to increase – from 28.8 million tons in 2017 to 29.5 million tons in 2019 (BPS 2020). Several studies have shown the economic benefits of palm oil for Indonesia nationally and for local communities. For instance, one study of villages in Jambi Province over a period of 20 years concluded that oil-palm development through a contract-farming system between companies and smallholders had a significant economic development impact (Gatto et al. 2017). Even households that are not involved in the contract activities benefit through, for example, infrastructure improvements. Oil-palm development can also reduce economic disparities between villages. Gatto et al. (2017) further reported, "Another interesting finding from our data is that contracts with palm oil companies have contributed to decreasing inter-village inequality." Similarly, a study by Santika et al. (2019) of Kalimantan between the years 2000–2014 concluded "that the palm oil monoculture sector across Kalimantan brought significant economic benefits to village communities." Other research has shown that oil-palm development is an important contributor to economic growth and poverty reduction in rural areas (see, e.g., Sayer et al. 2012). Palm-oil activities in rural areas have also contributed a large share of the income of the local population, migrants, and local investors (Irawan, Tacconi, and Ring 2013; Jelsma et al. 2017) which has improved household living standards and nutrition (Euler et al. 2017).

Palm oil from Indonesia faces trade restrictions in the EU because it does not meet the bloc's sustainability criteria from either a social or an environmental perspective. Socially, there are still overlapping rights causing conflicts (Li 2018; Afrizal 2015; Abram et al. 2017). At the on-farm level, the expansion of oil-palm plantations often triggers tensions between local communities, oil palm-plantation companies, and the government (Afrizal 2015; Abram et al. 2017). According to records of the Agrarian Reform Consortium, in 2020 there were 101 cases of conflict related to oil-palm plantations such as land reclaiming by customary communities due to land appropriation by the palm-oil companies (KPA 2020). Environmentally, concerns revolve around land degradation and deforestation. For example, some observers argue that the "main driver" of forest degradation and deforestation in Indonesia is forest conversions into oil-palm plantations (Qaim et al. 2020; Pramudya 2018; Yulian et al. 2017; Prabowo et al. 2017). Moreover, the expansion of oil-palm plantations causes a decline in Indonesian biodiversity (Qaim et al. 2020).

In this article, we describe how various stakeholders in Indonesia view the EU's policy and describe their responses. Following a brief history of oil-palm development in the country, we outline the U-turn by the EU on the Renewable Energy Policy (RED) II and the reaction of the Indonesian government. We seek here to describe the EU's restriction policy on Indonesian palm oil and to examine the Indonesian government's own understanding of the reasons for the EU policy and its responses. The article comprises six sections. This introduction is followed by an outline of our methodology and in the third section we briefly describe the history of oil-palm development in Indonesia. The forth section highlights the U-turn of the EU as expressed in RED II and summarizes this European policy that put restrictions on Indonesian palm oil. In the fifth section, we describe the responses of different Indonesian government ministries to the European policy. The final section of the article provides our conclusions.

Methodology

We chose the social constructivist paradigm as the approach in this study because it focuses on the subjective interpretation of Indonesia and the EU on their experiences of negotiation and diplomacy in the palm oil-trade dispute.[1] Data were collected

through literature review, in-depth interviews with key informants, and focus-group discussions (FGD). We reviewed relevant literature before and during the writing of this article. Materials were obtained from academic journals, statistical reports, and credible websites (such as the Indonesian government and other institutions).

We carried out in-depth interviews with eleven individuals representing the national government (Coordinating Ministry for Economic Affairs, Ministry of Foreign Affairs, Ministry of Environment and Forestry, and Ministry of Trade). Two FGDs were also conducted with stakeholders. The first FGD was with ten activists from non-governmental organizations (NGOs) working on palm-oil issues at the local and global levels. We conducted the second FGD with five palm oil-business actors representing companies and business associations and four oil-palm smallholder associations.

The interviews and FGDs were carried out between November 2019 and December 2020. Initially, we collected data from key informants at the national level of government for ministries closely related to the RED II policy for the Indonesian oil-palm sector and analyzed notes from these discussions to develop our initial findings. These observations were then used to prioritize further data-collection activities using additional FGDs with other key informants. Responses were recorded as minutes or detailed diary notes which the research team then analyzed using an interactive model (Miles, Huberman, and Saldana 2014). This model consists of four elements, namely data collection, data condensation, data display, and the drawing and verifying of conclusions (Figure 1). Data were sorted and categorized and then displayed. This process was repeated and refined in order to arrive at the final conclusions.

History of Indonesian oil-palm development

Palm oil began to be developed as a commercial commodity in Indonesia in 1910 on the western island of Sumatera (or Sumatra) (Supriyono 2017). Until 1950, there were only 105,000 hectares of palm oil in the country, all of it in Sumatera, before oil-palm cultivation was expanded to other islands and covered approximately 1.1 million hectares in 1990 (Purba and Sipayung 2017). By 2020, there were nearly 15 million hectares of palm oil spread across 26 provinces in Indonesia (Figure 2). Large private sector plantations were the majority (55.8%) followed by smallholder plantations (40.4%) with the remainder being state-owned plantations (SDGEC 2020).

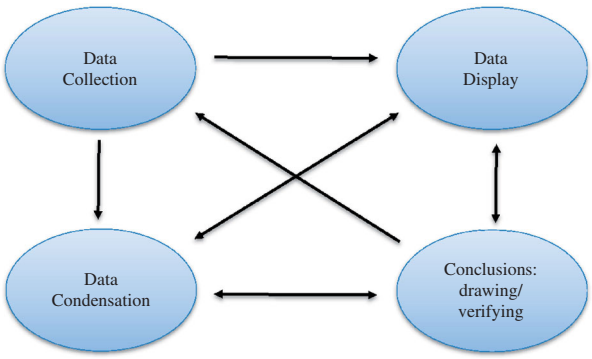

Figure 1. Components of interactive model of data analysis. *Source*: Miles, Huberman, and Saldana (2014).

From 1980 to 2021, the growth of smallholder oil-palm plantations was generally consistent with the development of large-scale holdings (Figure 3). However, the expansion of smallholder oil-palm plantations cannot be separated from the history of other production modes. Initially, these plantations were only managed by companies on an expansive scale. In the 1970s, partnerships between companies and communities began to occur as part of the Nucleus Estate and Smallholder (NES) Development Project (also known by its Indonesian acronym PIR BUN (*Perkebunan Inti Rakyat*). This initiative has over the years evolved into the primary cooperative credit programs referred to as PIR BUN and KKPA (*Kredit Koperasi Primer untuk Anggota/Member Primary Credit Cooperative*) (Baswir et al. 2010). The existence of large-scale palm oil-plantation companies with their so-called plasma farmers has encouraged the development of smallholder oil-palm plantations.[2] Ishak et al. (2018) reported that the expansion of oil-palm plantations occurred from two directions, namely "from above" (carried out by large companies) and "from below" (implemented by individual communities known as smallholders).

Dharmawan et al. (2020) identified two types of smallholder plantations from the expansion – concentrated and dispersed – based on the results of a study in Kutai Kartanegara, East Kalimantan. Dispersed plantations are spread in patches over a large area while smallholders have tended to develop concentrated oil-palm plantations either in collaboration with or adjacent to large-scale plantation companies. The majority of smallholder oil-palm plantation growth has been in the concentrated category. This has tended to be the case because it is often expensive to start new oil-palm plantations and smallholders need to form partnerships with companies to lower the cost of investment.

Expansion of oil-palm plantations, both large-scale and smallholder-cultivated, show a linear growth relationship with the volume of production (Figure 3). In 1980, Indonesia's total crude palm-oil (CPO) production was 721,172 tons but by 2021 the volume had reached more than 49 million tons –

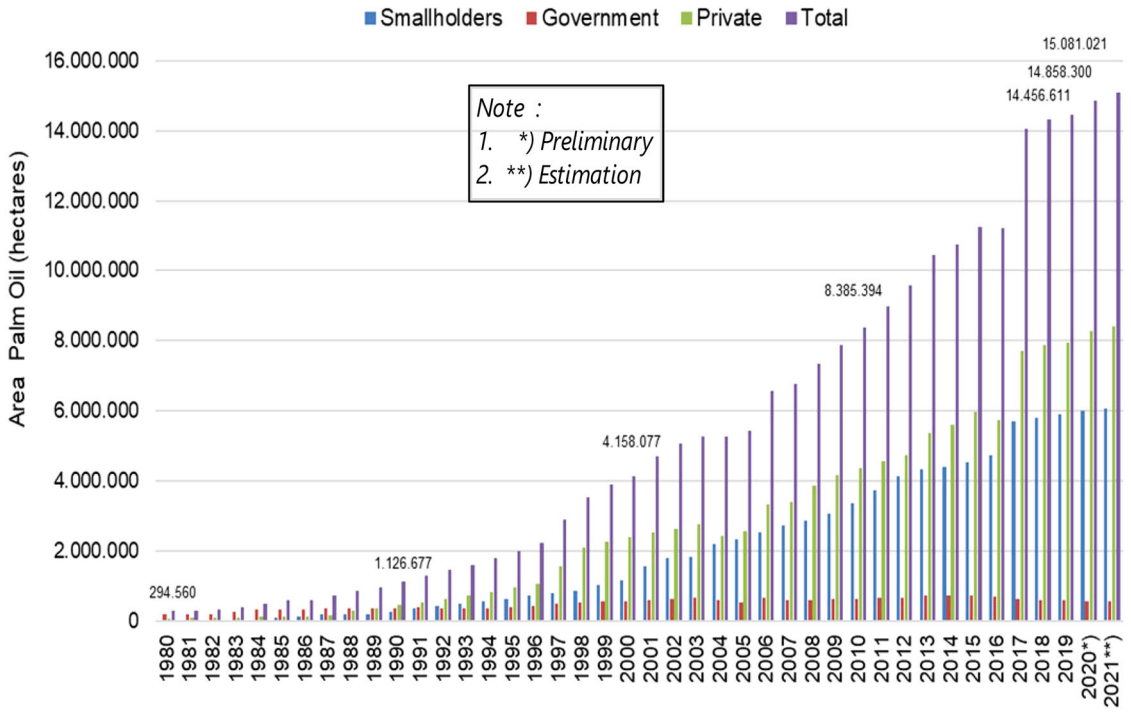

Figure 2. Area of palm oil by farming category in Indonesia, 1980–2021. *Source*: SDGEC (2020, 3–4).

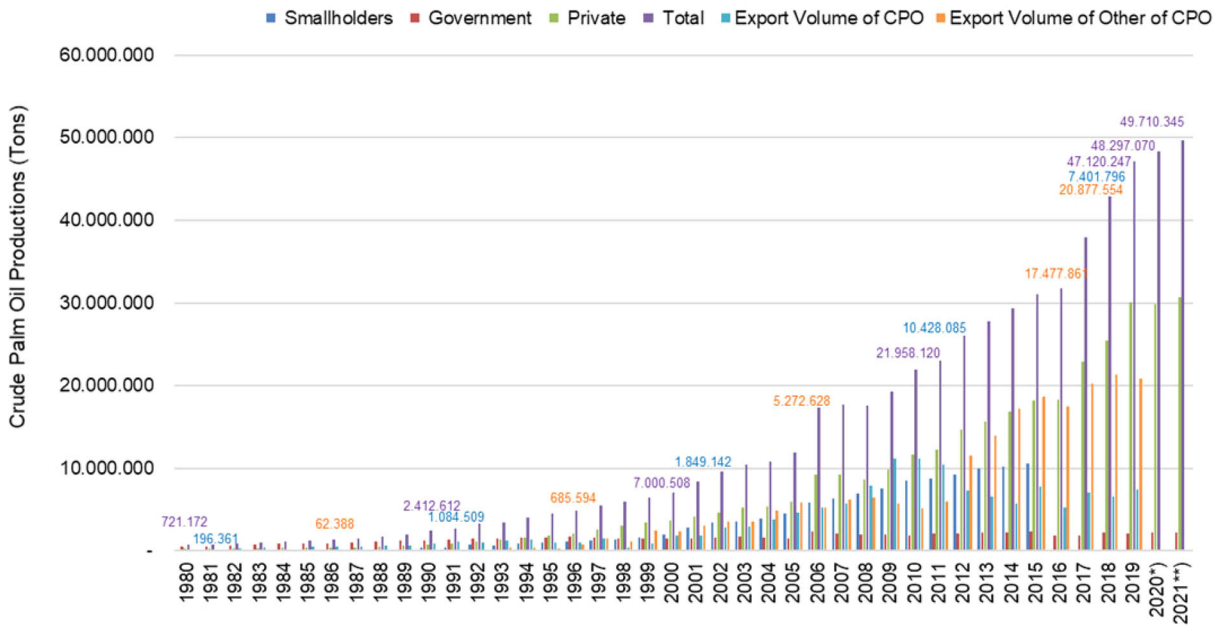

Figure 3. Crude palm-oil (CPO) production by farming category and export volume in Indonesia, 1980–2021. *Source*: SDGEC (2020, 3–4)

most of which came from large oil-palm plantations. CPO products are not intended for the domestic market only and since 1981 have been an export commodity, although in limited quantities. For example, in 1981 total export of CPO was 196,361 tons or 24.5% of total production. The growth in CPO export volume occurred in proportion to the increase in CPO production, which in 2019 reached 7.4 million tons (15.3% of total production). This percentage decrease was not due to a decline in the amount of CPO exported but is attributable to the fact that the product was exported in other forms, which in 2019 reached nearly 21 million tons (44.3%) of Indonesia's total CPO production. Other products from CPO have been exported since 1996 and include refined palm oil, biodiesel/biofuel, lauric acid,[3] and oleo chemicals[4] (Hanung and Pablo 2018).

According to the Indonesian Palm Oil Association (*Gabungan Pengusaha Kelapa Sawit Indonesia* or GAPKI), pressure on the country's palm-oil products by the EU began in 2015–2017 with the issuance of various policies to curb exports to member nations and to increase domestic vegetable-oil production from rapeseed, sunflowers, and

soybeans (GAPKI 2017). Although Indonesia's palm-oil exports (BPS 2020) are mostly sent to countries outside the EU, including India (53.8%), Malaysia (12.6%), and Singapore (8.1%), initiatives from the EU continued to have negative impacts on the country.

A U-turn by the EU for its renewable energy policy

The development of sustainability standards by market organizations and NGOs is a new challenge for palm oil-producing countries. Initially, the EU issued a Renewable Energy Directive (RED) in 2009 to achieve a renewable energy target of 20% in final energy consumption and 10% in the transport sector by 2020 (UNFAO 2010). Scarlat et al. (2015) observed that for biofuels, RED was based on an estimated increase in biofuel consumption from 1.0% for transport in 2005 to 11.4% in 2020. The policy also required biofuels to meet several sustainability criteria. The EU recognizes several sustainability standards of palm oil such as the Roundtable on Sustainable Palm Oil (RSPO) initiative and the Biomass Biofuels Sustainability Voluntary Schemes (2BSvs) (from France), as well as government-sponsored schemes such as the International Sustainability and Carbon Certification (ISCC) (from Germany), and the RED Bioenergy Sustainability Assurance (RBSA) (from Spain) (Johnson, Pacini, and Smeets 2012; Dewi 2013).

The implementation of RED has received attention from various parties because it failed to curb social and environmental impacts, especially related to the risk of indirect land-use change (ILUC). Biofuels carry a high risk of ILUC when produced from crops grown in areas that have a high carbon stock and are in competition with food production but the ILUC threat tends to be low when production takes place in areas that were not previously used for agricultural production (Searle and Jacopo 2018). Based on this distinction, the EU decided in 2018 to amend RED. Through an amendment to this policy the European Commission is implementing a new approach to ensure that crops used to produce biofuels do not come from deforested areas or peatlands (Padfield 2019). In 2019, the EU issued the Delegated Regulation Supplementing Directive of the EU Renewable Energy Directive II (RED II) which states that palm oil is a raw material for renewable energy categorized as high risk and unsustainable through schemes involving ILUC (EFECA 2019; Stiadi 2020).

Accordingly, the RED II policy (formerly known as the Renewable Energy Directive 2018/2001) does not necessarily prohibit the entry of palm oil into the EU, but it does provide a disincentive for the use of biofuels from recently established plantations. Consequently, biofuels produced from palm oil are not included in the EU's renewable energy targets and this includes biofuels from Indonesia.

In addition to RED II, the EU has adopted other new policies related to sustainability. The European Green Deal (EGD) is a series of EU policy initiatives to achieve a carbon-neutral Europe by 2050 (Schebesta and Candel 2020). The EGD covers a wide range of sectors including construction, biodiversity, energy, transport, and food. This goal is to be achieved through a circular economy and review and revision of all climate-related policies, a so-called farm-to fork (F2F) strategy, and a shift in focus from implementing compliance to performance that will reward land users who manage and store carbon in the soil. The F2F strategy for instance requires ensuring that food is produced and processed according to certain sustainability principles, encouraging shifts to a healthy and sustainable diet, reducing food waste, and enhancing information disclosure along the food-supply chain. By 2030, the F2F strategy is expected to achieve a 50% decline in the use of chemical pesticides, a 50% reduction of soil-fertility loss, a 20% decrease in fertilizer use, a 50% lessening in overall sales of antimicrobials for livestock and fisheries, and an increase in organic farmland by 25%.

Recent developments in the EU and elsewhere in the world reflect the importance of the emerging discourse on sustainable palm oil (Hinkes 2020). Figure 4 shows how European and international policies have evolved from 2014 to 2019. These developments have directly or indirectly exacerbated disputes over palm-oil production, consumption, and trade. Globally, the New York Declaration on Forests (NYDF), the SDGs, and the Paris Agreement have influenced more specific policies over the last several years. For instance, several of the SDGs are related to the palm oil-supply chain, notably Goal 12 (Responsible Consumption and Production), Goal 13 (Climate Action), and Goal 15 (Life on Land).

Furthermore, EU Regulation No. 1169/2011 on providing food information to consumers includes a specific statement about vegetable oils (e.g., palm oil) in its list of mandatory ingredients for food products, thereby increasing the visibility of palm oil. This initiative was followed in December 2015 by two so-called Amsterdam Declarations. The first is in connection to the role of agriculture-supply chains and deforestation and the second focuses specifically on achieving sustainability in the palm oil-supply chain (Amsterdam Declaration 2015a, 2015b). In addition, the non-binding European

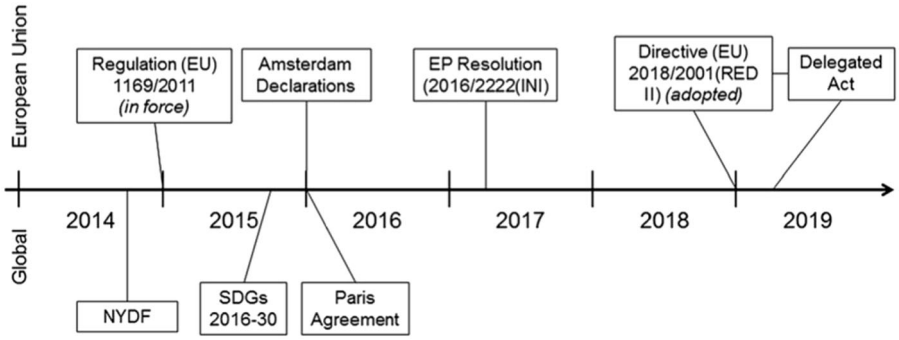

Figure 4. European policies and commitments affecting the palm-oil sector (2014–2019). *Source*: Hinkes (2020).

Parliament Resolution of April 4, 2017 (2016/2222(INI)) on palm-oil and rainforest deforestation calls for the development of minimum European sustainability criteria for imported palm oil and proper consideration of the side effects of its production. As discussed above, the revised RED II for the period 2021 to 2030 limits the use of plant-based biofuels and it came into force in December 2018. In particular, the resolutions of EP and RED II, complemented by delegated legislation, have contributed to political disputes between the EU and palm oil-producing countries as they impose measures that are contrary to previous directives (Hinkes 2020).

These European policies are considered by several Indonesian stakeholders to discriminate against the country's palm-oil products. Besides linking palm-oil production to areas with high carbon stocks and competition with food production, several other issues have been used as reasons for rejecting Indonesian palm oil. These concerns include health and exploitation of women workers and child labor (Teoh 2010) and impair the export performance of Indonesian palm oil. In turn, limits on exports curtail demand, lower the domestic price, and reduce smallholder incomes.

The significant decline in palm-oil prices and reduction in the value of Indonesian palm-oil exports could result in contraction of production and closures in the domestic industry. Such developments could adversely affect the livelihoods of 5.3 million households (Infosawit.com 2018). A study by Pohan (2015) reported that significant decline in palm-oil prices is apt to undermine the socioeconomic conditions of smallholders and have deleterious impacts in terms of income, education, and health. The declining welfare of oil-palm smallholders could, in turn, lead to social problems and conflicts in the communities adjoining the oil-palm plantations (Brata 2012).

Indonesia's response to the EU policy

The main reason put forth by the EU to justify its restrictions on the import of Indonesian palm-oil products is environmental sustainability. In short, the EU argues that the expansion of oil-palm plantations in the country has resulted in deforestation and peatlands degradation. What has been the response of the Indonesian government?

The Indonesian government's perspective includes three important elements (Table 1). Understanding these aspects is crucial because each of them has different policy implications. It should be noted that although various government ministries tend to emphasize different issues, they are in general agreement on all points.

An environmental perspective

The first aspect is the "environmental perspective" which refers to the fact that the Indonesian government recognizes that there are still environmental problems such as deforestation and peatlands damage due to the expansion of oil-palm plantations. The main stakeholders within the Indonesian government that emphasize this view are the Indonesian Coordinating Ministry for the Economy and the Indonesian Ministry of Environment and Forestry. Other parties such as NGOs, academics, and other government departments also agree that the oil-palm plantations in the country do damage the environment. All of the ministerial officials that we interviewed acknowledged that there were still environmental problems caused by the practice of oil-palm plantations.

However, in this environmental perspective, there is not necessarily convergence between Indonesia and the EU. In general, the EU argues that "there is no sustainable palm oil available on the market yet," while the Indonesian government has responded that "palm oil is the most sustainable alternative available" (Hinkes 2020). Furthermore, as has been highlighted by McCarthy (2010), Li (2017), and Alonso-Fradejas et al. (2016), Indonesian oil-palm plantations have become a melting pot of issues where changes in regional landscapes, social structures, land tenure, agrarian practices, human resource-utilization patterns, and land conversion due to deforestation are taking place. The actors

Table 1. Indonesian perspectives, perceptions, and responses to EU oil-palm restriction policies.

Perspective on EU policies on palm oil-trade restrictions	Perception or interpretation of EU Policy	Main stakeholders in Indonesia	Policy implication	Policy goal
1. Environmental sustainability perspective	The trade restriction is part of the EU's call to encourage palm-oil practices that do not damage the environment, especially deforestation, forest and land fires and so forth.	Indonesia Coordinating Ministry for the Economy and Indonesia Ministry of Environment and Forestry.	The government of Indonesia formulates a set of regulations on sustainable palm-oil governance; implementing a palm-oil moratorium, peat moratorium, and ISPO certification through Presidential Regulation, as well as guaranteeing the commitment to SDGs.	Achieving environmental and welfare solutions. Indonesia wants to show that the government is committed to sustainability standards.
2. Trade-war perspective	The EU considers palm oil as a competing commodity to non-oil-palm vegetable oils in Europe – therefore there is discrimination against palm oil.	Indonesia Ministry of Foreign Affairs and Indonesia Ministry of Trade.	• The Government of Indonesia proposed the initiative of inclusive vegetable-oil sustainability calling for the impartial treatment of palm oil among other types of vegetable oils. • The Government of Indonesia uses the FAO-diplomacy area to promote the idea of sustainable vegetable oils. • WTO platform.	Fairtrade solution for Indonesia.
3. National sovereignty and dignity perspective	The EU's actions have disturbed the sovereignty and dignity of the Indonesian nation.	Indonesia Coordinating Ministry for the Economy, Indonesia Ministry of Foreign Affairs, Indonesia Ministry of Trade, and Indonesia Ministry of Environment and Forestry.	Legal resistance through the WTO, diplomacy, seeking other countries' markets, developing domestic market potential.	Achieving economic justice solutions between nations.

driving these changes as far as oil-palm plantations are concerned can be large corporations, government departments, smallholders, and even small-scale farmers. All these stakeholders will be affected by tightened environmental restrictions but as Schoneveld et al (2019) observe "Indonesia's palm oil smallholders are especially confronted by pressures to enhance their environmental performance. Because smallholders experience differentiated compliance barriers." Overcoming these barriers will require effort on the part of farmers, but also calls for improvements to the supporting system which lacks local government capacity for technical support to strengthen the commitment of farmers to the environment and funding. As noted by Astari and Lovett (2019) "to better shape the governance of (palm oil) sustainability in this sector the government needs to focus on aspects of policy implementation related to biodiversity conservation values and benefits for the producers when being certified, as well as improving engagement with stakeholders" (Astari and Lovett 2019).

Based on this environmental perspective, the Indonesian government has designed several important policies. For instance, a sustainable oil-palm plantation business-certification system or Indonesian Sustainable Palm Oil (ISPO) was created in 2011 and subsequently updated in 2015 through the Regulation of the Minister of Agriculture of the Republic of Indonesia Number 11 (Permentan/OT.140/3/2015). For example, in 2011 there was one typology of principle and criteria regarding the palm oil-sustainability standard while in 2015 there were five typologies. In addition, in 2011 ISPO was mandatory only for palm-oil companies while in 2015 it was mandatory for palm-oil companies and voluntary for smallholders. ISPO was then further strengthened in 2020 through Presidential Regulation (Perpres) No. 44. For example, transparency was added to the principle of the palm oil-sustainability standard, ISPO become mandatory for smallholders as well, and the certification process was given to independent institutions. However, the challenges of readiness on the part of relevant institutions, farmers, and local governments remain significant obstacles to implementation (Dharmawan et al. 2019, 2021; Astari and Lovett 2019; Jelsma et al. 2019). In addition, Indonesia has also carried out RSPO certification which began to be applied in 2004 and the International Sustainability and Carbon Certification (ISCC) in 2010.

In terms of expansion, the Indonesian government issued a policy to limit development of oil-palm plantations through a moratorium on their enlargement. This policy is conveyed through the Presidential Instruction of the Republic of Indonesia, Number 8 of 2018 entitled "Postponement and Evaluation of Palm Oil Plantations and Increasing Productivity of Palm Oil Plantations." Furthermore, to realize sustainable oil palm-plantation practices and promote new sources of

renewable energy, the Indonesian government also issued Presidential Instruction No. 6 of 2019 of the National Action Plan for Sustainable Palm Oil Plantations (*Rancana Aksi Nasional Kelapa Sawit Berkelanjutan* or RANKSB). The RANKSB team, among other activities, provides support for accelerating implementation of certification for Indonesian sustainable oil-palm plantations.

Through Government Regulation Number 24 of 2015, the Indonesian government has also established an organization, namely the Palm Oil Plantation Fund Management Agency (*Badan Pengelola Dana Perkebunan Kelapa Sawit* or BPDP-KS). Within the organizational structure of BPDP-KS, under the Directorate of Planning and Fund Management, there is one noteworthy department whose activities relate to this first perspective, namely the Replanting, Reforestation, and Plantation Promotion Division. This unit is important because it is tasked with carrying out reforestation which means that this program has the potential to offset the forest loss that has occurred due to the expansion of oil-palm plantations and to mitigate one of the major concerns of the EU.

The Indonesian government has moreover been encouraging discussion on palm oil as a vegetable oil to be part of a broader framework informed by the SDGs framework. As such, the issue of palm oil should not be separated from efforts to achieve the SDGs as a whole. According to the Vice Minister of Foreign Affairs, Indonesia submitted this proposal through the United Nations Food and Agricultural Organization (UNFAO) in Rome and then it was brought to the United Nations in New York. The implementation of ISPO contributes to the achievement of the SDGs, particularly those goals related to poverty alleviation (e.g., SDG 1). In conclusion, "both the EU and Indonesia are concerned about sustainability; however, both have different perspectives and parameters to ensure environmental standards are upheld" (Tyson and Meganingtyas 2022).

A trade-war perspective

The second perspective is of a "trade war" and this view is held strongly by the Indonesian Ministry of Foreign Affairs and the Indonesian Ministry of Trade. According to its proponents, this standpoint is evinced by the observation that the European countries most strongly against Indonesian palm oil are the main producers of sunflower and rapeseed products and their posture on the issue is considered a form of protectionism (Tyson and Meganingtyas 2022).[5] They argue that the competing trade priorities of vegetable oil are what is causing the deadlock. One Vice Minister argued that the dispute was a *debat kusir*, a debate that never ends and has no solution.

To deal with the trade war, the strategy used by the Indonesian government is to advocate for implementation of the concept of "inclusive vegetable oil sustainability." Adherents of this perspective have argued that the environmental sustainability standards applied to palm oil should be applied to all oil-producing commodities, including sunflowers and rapeseed. If the criteria are only applied to oil-palm commodities, they are discriminatory. A Foreign Ministry official said

> I only want to cooperate if it has two elements: (1) all vegetable oils, not just palm oil; (2) the sustainable platform is not deforestation, but the SDGs. If not, I don't want it. Because without it, it means discrimination. If we only talk about palm oil or deforestation, it means discrimination. It's as if deforestation is the only thing that matters in terms of environmental sustainability. I don't want to because there is no meeting point.

The discrimination referred to here is not prejudice against Indonesia per se, but rather favoritism that works against an agricultural product, namely palm oil. In this regard, Indonesia shares the same view as other palm oil-producing countries such as Malaysia. As Padfield (2019) writes, "Malaysia and Indonesia claim that it discriminates against palm oil produced in their countries." Even a prominent (now former) member of the European Parliament, Werner Langen stated that the EU applies discrimination and double standards. According to him, palm oil that is produced sustainably should not be categorized as a high risk to the environment. He even argued that the European Commission's Delegated Act policy is "purely protectionist and hypocritical."[6] Furthermore, the EU resolutions on palm oil and rainforest deforestation also point to discrimination regarding palm oil-producing countries and contradict its position on free and fair trade that is open and based on rules (Nugraha 2021).

Indonesia has objected to the biased treatment of palm oil. A Ministry of Foreign Affairs official said, "we want no palm-oil discrimination." This official also remarked that, "we have to be able to win against Europe and they have to recognize that our palm oil is not inferior to other vegetable oils, because it is much more effective and efficient than other vegetable oils." Even though Indonesia's exports to EU member nations are small in volume, the government is still fighting back by referring this case to the World Trade Organization (WTO). Currently, while the litigation process at the WTO is ongoing, Indonesia is advocating for the sustainability standard to be expanded. In addition, the government is bringing the case to the United

Nations. According to a Ministry of Foreign Affairs official: "That's why it's now being pushed via the FAO through the UN. It's very close to being included in the guidelines for sustainability or the SDGs of vegetable oils. We will submit it to the UN Assembly to become an international standard."

As part of the "trade war," Indonesia and the EU have recently sued each other at the WTO. Indonesia became the plaintiff suing the EU in the dispute over the export of palm oil and its derivative products such as biodiesel but in a separate case (involving nickel-ore exports) Indonesia is the defendant being sued by the EU.

National sovereignty and dignity

The third perspective is one of national sovereignty and dignity. This view is emphasized by all Indonesian ministries but especially by the Ministry of Foreign Affairs, the Ministry of Trade, the Ministry of Environment and Forestry, and the Coordinating Ministry for the Economy. For the Indonesian government, Europe's rejection of palm oil is not just a trade issue, but also a matter of image, dignity, and even sovereignty. One key informant explained, "the problem is the image. We don't want our image to be destroyed." A second official stated, "we do not want Indonesia's sovereignty to be controlled by foreigners through agricultural commodities that are given negative labels." Another respondent argued that "RED II ignores the sovereignty of the nation." A Ministry of Foreign Affairs official explained that palm oil is very important for Indonesia and the negative stigma against Indonesian palm oil must be fought. He said about the importance of palm oil, "it is big … we have to fight, face and win." He further elaborated that the EU's treatment of palm oil was only one of many issues. He said,

> Because such a view applies to many things, many commodities and many facets of life. It's not just about agriculture and not just about palm oil. So, the superiority of Europe in dictating international values does not only apply to palm oil. They act like they have superiority. This is not a market issue, not about one billion dollars. It's about sovereignty.

In this regard, the Indonesian government also sees that the rejection of the country's palm-oil products has being related to the domestic politics of European countries. In several European countries, green political parties have been getting stronger. Although relatively small, they are very vocal and have become a partner or coalition member of major parties. These pro-environmental parties maintain a strong focus on activities that are considered damaging to the environment.

This third perspective is in line with the view expressed by Ruysschaert, Carter, and Cheyns (2019). Sustainability standardization imposed on and requested from Indonesia related to its palm-oil products is an exercise of power by the EU on countries of the global South and seeks to stigmatize palm-oil production as unsustainable. This standardization is more complex in scope than just a governance tool because it imposes an ideology from one region on another through an instrument of political power, namely a set of certification procedures.

The power of territorialization of sustainability standards that is unified with the strength of institutional power is what the EU orchestrates to suppress not only Indonesia, but all products entering the bloc to comply with the principles of green consumption. This spirit of territorialism and institutional strength gain legitimacy from sociopolitical structures in the EU where "green clubs" are very strong to the point that green parties are dominant in the policy-making processes of food and energy issues (Orsato, Clegg, and Falcão 2013).[7] Additionally, the EU's influence is also seen to be growing as an influential superpower that shapes global policy across multiple domains. Bradford (2020) termed this phenomenon the "Brussels Effect,"[8] in which the EU attempts to exert political and economic dominance over other countries; it is even referred to as "imperialistic" motives. Thus, the EU uses the spirit of territorialization (sustainability standards), institutional power, and trade protectionism to erode Indonesia's socioeconomic and political sovereignty.

With this understanding, it is not surprising that the Indonesian government has taken a tough stance and has put up a fight against the prevailing EU policy. A vice minister, for example, said that what Indonesia needed to do was "one word, fight!" while clenching his fists. This individual also avoided meeting with a delegation from EU member states at an international event because he was very aggrieved by the bloc's palm-oil policy.

Conclusion

The EU's stance regarding imported palm-oil products has evolved in recent years. In 2018, the bloc implemented RED II which makes it very difficult for exports from Indonesia to enter the European market. This policy, EU officials have argued, is primarily an issue of environmental sustainability. In response, the Indonesian government recognizes that palm oil raises certain environmental concerns and both the government and palm oil-production actors in the country are trying to improve business

practices, including by implementing ISPO and a moratorium on the expansion of oil-palm plantations.

However, the Indonesian government maintains two other interpretations of RED II. The EU policy is, in one respect, seen as a form of a trade war and as a means of protectionism. From this viewpoint, the EU restricts the importation of palm oil from Indonesia because it competes with the vegetable oils produced in Europe. Proponents of this perspective argue that trade is why the EU policy appears to change from time to time or is considered a moving target. Indonesia's response to this claim has been "trade resistance," including encouraging an inclusive and nondiscriminatory vegetable-oil policy, as well as seeking intermediation by the WTO.

Moreover, the EU restriction policy is seen as a form of intervention in the sovereignty and dignity of the Indonesian nation. From this perspective, the policy is regarded as an act that overly interferes in the internal affairs of the country. In response, the Indonesian government is carrying out various forms of "resistance," including referring its concerns to the WTO and "threatening" to stop the export of Indonesian palm-oil products to the EU.

To resolve the dispute between Indonesia and the EU both parties will need to prioritize a dialogical approach. This method should be implemented by subscribing to the principles of "communicative action" which, as stressed by the social theorist Jürgen Habermas and others, emphasizes the communication process to achieve mutual understanding and "without recourse to force and authority" (Turner 1998). Dialogue needs to involve various stakeholders, for example, academics, the private sector, government officials, and even members of grassroots communities. Although it is not the only solution, this dialogue is still important because it can build a better understanding for both parties and it can bring "small wins" to this dispute-resolution process. Termeer and Metze (2019) defined small wins as tangible results in terms of a deep change of moderate importance, which in the long term can strengthen and accumulate into transformative change through non-linear mechanisms. In this context, the expected small wins are in the form of understanding from the EU (and the international community in general) that Indonesia is improving regulation and heading toward more sustainable palm-oil management.

Notes

1. Social constructivists believe that individuals seek understanding of the world in which they live and work. Individuals develop subjective meanings of their experiences-meanings directed toward certain objects or things. The goal of this research is to rely as much as possible on the participants' views of the situation being studied. The questions become broad and general so that the participants can construct the meaning of a situation, typically forged in discussions or interactions with other persons (Creswell 2013).
2. Plasma farmers are smallholder plantations whose development is integrated into large private plantations and large state plantations. As stated in Ministry of Agriculture Regulation Number 26 of 2007, large private plantations and large state plantations are required to develop plasma plantations covering an area of 20% of the total land concessions. See https://www.wartaekonomi.co.id/read254046/ and https://www.bbc.com/indonesia/dunia-61519343.
3. Lauric acid, alternatively known as dodecanoic acid, is a saturated fatty acid with a 12-carbon atom chain, thus having many properties of medium-chain fatty acids. It is a bright white, powdery solid with a faint odor of bay oil or soap. See https://en.wikipedia.org/wiki/Lauric_acid.
4. Oleochemicals (from Latin *oleum* for "olive oil") are constituent products from fats and oils. See https://en.wikipedia.org/wiki/Oleochemistry.
5. Recent shortages of sunflower oil have led to new interest in palm oil. See, for example, https://www.bloomberg.com/news/articles/2022-06-17/ukraine-war-causes-palm-oil-usage-jump.
6. Discrimination and double standards applied by the EU were justified by one of the leading members of the European Parliament, Werner Langen, Chair of the Delegation for Relations with the Countries of Southeast Asia and ASEAN (DASE). In his open letter, Langen expressed his view that sustainably produced palm oil should not be categorized as high risk and the European Commission's Delegated Act policy is "pure protectionist and hypocritical." See https://kemlu.go.id/brussels/en/news/451/indonesia-reiterated-the-win-win-solution-related-to-oil-palm-to-the-european-union.
7. "The European Union has adopted its greenest-ever agenda, with the promise of net-zero emissions by 2050 and a European Green Deal to transform the economy, underpinned by a target to spend nearly one-third of EU funds on climate change and the environment." See https://www.theguardian.com/environment/2020/sep/10/greens-grow-in-europe-but-politicians-cant-take-all-the-credit
8. The Brussels Effect refers to the EU's unilateral power to regulate global markets. Without the need to use international institutions or to seek the cooperation of other nations, the EU has the ability to promulgate regulations that shape the global business environment, leading to a notable "Europeanization" of many important aspects of global commerce. Different from many other forms of global influence, the EU does not need to impose its standards coercively on anyone – market forces alone are often sufficient to convert the EU standard into the global standard as companies voluntarily extend the EU rule to govern their worldwide operations. Under specific conditions, the Brussels Effect leads to "unilateral regulatory globalization," where regulations originating from a single jurisdiction penetrate many aspects of economic life across the global marketplace (Bradford 2020).

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