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THE EUROPEAN UNION TRADE PROTECTION ON INDONESIAN CRUDE PALM OIL (CPO) IMPORT

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Abstrak

Perdagangan Internasional kini, diwarnai dengan adanya praktek liberalisasi salah satunya adalah liberalisasi perdagangan dengan mengusung pasar bebas. Selanjutnya, implementasi dari liberalisasi perdagangan terkait dengan penghapusan berbagai macam proteksi perdagangan. Meskipun perdagangan bebas sesuai kesepakatan WTO harus dilaksakan, namun tidak semua negara-negara di dunia benar-benar menerapkan perdagangan bebas. Negara kerap melakukan praktek proteksi perdagangan nontarif sebagai upaya membatasi membanjirnya produk impor masuk ke wilayahnya. Dalam hal ini, Uni Eropa melakukan upaya membatasi produk impor CPO Indonesia dengan menggunakan berbagai macam kebijakan, sertifikasi, sampai kepada kampanye negatif yang kemudian hal ini diidentifikasi sebagai bentuk proteksi perdagangan nontarif. Penulisan artikel ini dilakukan dengan metode penelitian kualitatif pada pendekatan studi kasus. Kemudian, artikel ini pula akan dijelaskan secara komprehensif instrumen yang diidentifikasi sebagai bentuk proteksi perdagangan nontarif dengan menggunakan teori Thomas Oatley. Artikel ini berkesimpulan bahwa, Pada dasarnya sedikit sekali negara di dunia yang benar-benar menerapkan implementasi pasar bebas, negara-negara kerap melakukan praktek proteksi perdagangan yang pada esensinya untuk meraih kepentingan domestiknya dalam hal ini adalah minyak nabati yang diproduksi di kawasan Uni Eropa agar dapat berdaya saing.

Kata Kunci: Crude Palm Oil, Indonesia, Perdagangan Internasional, Proteksi Perdagangan, Uni Eropa.

Abstract

International trade is now characterized by the practice of liberalization, one of that is trade liberalization by promoting free markets. Furthermore, the implementation of trade liberalization is related to the elimination of various matters of trade protection. Although, free trade according to the WTO agreement must be carried out, not all countries in the world really implement free trade. The state often practices non-tariff trade protection in an effort to limit the imported products entering in its territory. In this case, the European Union is making some efforts to limit the import of Indonesian CPO products by using a variety of policies, certifications, to negative campaigns

which are then identified as a form of non-tariff trade protection. The writing of this article was carried out with a qualitative research method on the case study approach. Then, this article will also comprehensively explain the instruments identified as a form of non-tariff trade protection using Thomas Oatley's theory. This article concludes that, Basically, very few countries in the world really implement the implementation of free markets, countries often carry out trade protection practices which in essence to achieve their domestic interests in this case are vegetable oils produced in the European Union so that they can competitive.

Key Words: Crude Palm Oil, Indonesia, International Trade, European Union Trade Protection

I. INTRODUCTION

Palm oil is one of vegetable oil, that cannot be separated from daily life. Palm oil most known as the most consumed and produced oil in the world. Technological developments stated palm oil is widely used by Western countries for a mixture of alternative energy fuels (in the form of biodiesel or electricity generation) (Shimizu & Desrochers, 2012).

Nowadays, the demand for vegetable oil is increasing, the concern of the global community about the crises of petroleum and fossil having them find an alternative renewable energy source. This is also followed by the efforts to reduce effects of climate change and greenhouse gases that are not good for the environment. One of them is to develop renewable energy such biofuels or biodiesel. Biofuel and Biodiesel are environmentally friendly alternative energy and energy sources that are potential enough to be developed in the future because the raw materials can be obtained from nature (renewable resources). Biodiesel can also reduce up to 60% of carbon emissions compared to fossil fuels, so the use of biodiesel can reduce the level of greenhouse gas emissions (Masykur, 2013).

Feedstock for making biofuels and biodiesel is the use of vegetable oil, in this case it can be palm oil (the most widely used), followed by rapeseed oil, soybean oil, sunflower, etc. Although the European Union also produces vegetable oil in this case is rapeseed oil, but that was not enough meeting their domestic needs. The demand for vegetable oil in the European Union exceeds domestic supply which then directs the European Union to import in substantial quantities (Krautgartner, 2018).

The vegetable oil growth production in the European Union is about 2.8 percent per year, while the domestic growth rate is much greater at 4.8 percent per year. This condition creates gaps and causes increased dependence on imports another vegetable oil. In 2016, the total imports of CPO in European Union reached 7.2 million tons, this is also followed by 1.3 million tons of sunflower oil, 0.3 million tons of rapeseed oil and 0.25 million tons of soybean oil (Purba, 2017).

The sizeable import of palm oil by the European Union is related to the EU Government's policy to use at least 10% of renewable fuels in the transportation sector by 2020, so that the contribution of using biofuels to achieve this goal is

significantly important. (FEDIOL, 2012)

So, in this case the European Union needs other vegetable oil supplies to meet its needs. One of the most widely used vegetable oil in the European Union is palm oil. In the European Union consumption of palm oil has increased by about 0.7% since 2010. In 2015, 66% of total palm oil imports in Europe came directly from developing countries, which is equivalent to around 2.9 million tons (1,9 billion euros) (CBI Ministry of Foreign Affairs, 2015).

A number of 51% of palm oil imported to the European Union in 2017 is used to make biodiesel (CIMB ASEAN Research Institute, 2019). In 2018, Indonesia will become one of the largest countries in the global palm oil supply chain reaching 56% and Malaysia reaching 28%. While Indonesia's CPO export share reached 80% of the total EU CPO imports, and the rest was met by Malaysia. This is an illustration of the importance of Indonesia's CPO trade, especially to the European Union (GAPKI, 2017a).

However, in practice not all international trade can run smoothly, trade protection practices are also often carried out by various countries in the world with a variety of motives and goals. The European Union in this case brings environmental issues, deforestation, and adversely affects animals in forest areas on Indonesian CPO.

It is an important note for the European Union that around 73% of global deforestation comes from land clearing for agricultural commodities, and 40% of global deforestation caused by the conversion to large-scale monocultural palm oil plantations. The European Union is one of the main importers of products produced from deforestation that have a negative impact on biodiversity. Stated that Indonesia recently coming as the third biggest CO2 polluter in the world and is experiencing a decline in biodiversity with several endangered wildlife species (European Parliament, 2018b).

For the European Union, it does not recommend palm oil obtained from the destruction of nature. The recent policies issued by the European Union Government is the Renewable Energy Directive II to the Delegated Act 2019 which pashed out imports of CPO to 0 which will begin in 2023. This was later identified as a trading practice that was essentially contrast to the free market.

So, to emphasize this article, there are several previous studies on relevant phenomena as a comparison, including trade barriers carried out by the European Union by bringing health and environmental issues carried out by (Purnomo et al., 2020); (Purba, 2017); (Robertua, 2019); (Wahyudi, 2019) which stated that the expansion of palm oil areas has caused deforestation and damage to forest areas, namely the renewable energy directive as one of the European Union's efforts to reduce the impact of energy and fossil fuels which affect the global climate. The European Union applies a number of stricter standards and can indirectly inhibit the increase in CPO imports.

In addition, research conducted by (Pehnelt & Vietze, 2010); (Dewi, 2013); (Widyaningtyas & Widodo, 2017) in terms of the use of biofuels and biodiesel as renewable energy, it is mentioned that basically the European Union also uses palm oil for biofuel as energy for electricity generation and their transportation systems. So that one

of the basic feedstock needed to make biofuel comes from CPO, which in turn will encourage demand for CPO exports from Indonesia to the European Union which shows a positive trend.

Some previous studies also mentioned that at least palm oil is more competitive if it was compared to another vegetable oil conducted by (Jafari, Othman, Witzke, & Jusoh, 2017); (Pacheco, Gnych, Dermawan, Komarudin, & Okarda, 2017); (Pehnelt & Vietze, 2010) mentioned that palm oil is one of the low energy crop and fertilizer which offers a much higher yield per hectare than other oil crops. Then, if the energy gained from the residue of the palm oil production process had used properly, then it will be far better than other biofuels. Therefore, palm oil is one of vegetable oil far more efficient than other oil crops, moreover offers significant benefits in the context of GHG savings.

Based on some of the previous studies above, it can be concluded palm oil is widely used throughout the world, the policies adopted by the European Union are indirectly identified as a form of non-tariff trade protection with the Renewable Energy Directive policy.

Many previous studies have discussed the European Union's policy on environmental protection, but there are still few articles that discuss more comprehensively about the instruments used to conduct trade protection in accordance with Oatley's theory, especially in the issuance of the RED II and Delegated Act 2019 recently, so that this article will explain more detail these instruments in addition to the latest RED II-Delegated Act 2019 policy, which also explains the necessity for RSPO certification, followed by a negative campaign in CPO.

So, this article basically will answer what instruments did by the European do to limit CPO imports, especially from Indonesia. In the end, this article will benefit international relations scholar on the focus of international trade with the practice of protection in the midst of free trade, and is expected to be beneficial for policy makers by looking at the instrument of its enactment, so that it can then formulate appropriate policies on the issue of protection this trade.

Then, discussing about trade protectionist there will be some related study in International relations which are trade protection this is related to the theory of Mercantilism from the Global Political Economy. For the issue of non-tariff trade protection, it is further related to neomercantilism, but before continuing to discuss neomercantilism, the theory of mercantilism will be explained first as the basis for the emergence of neomercantilism. Mercantilism or often referred to as economic nationalism is a concept and view of the political elite at the forefront of the development of a modern state. Basically, economic activities must be subject to the main goal of building a strong state (Sorensen & Jakson, 2013:285).

Frieden and Lake (1991) revealed that in international political economy is the study of the interplay of economics and politics in the world arena. Basically, the political aspects of the international economy come from the functioning of the nation state as the main basis of today's world political organization. For strategic, social and political reasons, the government of a country interferes in the economic field.

Some of the main ideas of mercantilism theory are first, mercantilism is understood as an effort or method used by the government to utilize wealth and power to protect national industries and their national interests. Secondly, the State is required to play an active role in promoting its domestic industry to be able to successfully industrialize, the state implements protectionist policies to help its industries be able to compete with other countries' industries (Mas'oed, 1998:4).

Furthermore, Oatley (2019) also revealed that there are at least 3 proportions in modern mercantilism policy:

1. Economic strength is a critical component of national power
2. Trade is to be valued for exports, but governments should discourage imports whenever possible
3. Some forms of economic activity are more valuable than others.

Thus, the opinion of the experts emphasizes that basically the government often practices trade protection with a variety of objectives, this also cannot be denied because countries around the world are increasingly interdependent, so various alternative policies are needed in an effort to protect their domestic interests.

Furthermore, in an effort to protect its national interests, the government often makes a policy to maximize its position in profitable international trade. In this case, the importing country will impose some trade barriers with the aim of limiting imported products, by carrying out various kinds of policies. In this case one of them is RED policy, RSPO certification, and a negative campaign on CPO.

Then, Oatley (2004) explains the non-tariff barriers are:

"Nontariff barriers cover a broad array of government policies and practices. Essentially, any barrier to trade that is not a tariff, such as a quota or a VER, fits into this category. Yet the term NBT is often used to describe government regulations and practices that create barriers to trade either intentionally or accidentally. Health and practices that create barriers to trade, environmental regulations, product standards, and government procurement practices, all of which can be acted on for public policy reasons can also restrict international trade. NTBs also include practices that have obvious protectionist intentions. As quotas have been eliminated and tariffs reduced, these non-barriers have emerged as one of the most important remaining obstacles to international trade and have thus become increasingly important issues in the WTO".

Basically, all forms of trade barriers that do not use tariffs can be classified as non-tariff trade barriers. Referring to Oatley's opinion that one form of trade barriers is the existence of environmental regulation, which is the most fundamental reason for the European Union to protect CPO trade which then the Union Europe makes a series of rules and policies as well as certification for CPO products that are classified as European, which indicates a clear form of new protectionism practices. So, in this case also, this article will comprehensively explain the instruments used by the European Union in its efforts to limit Indonesia's CPO imports expecially, recently, RED II-Delegated Act 2019.

II. RESEARCH METHOD

In this research, qualitative research design is used to explore and understand the phenomena, so that the data generated is basically descriptive. A qualitative method with a case study approach is considered the most relevant method for the issues raised in this article.

In this research, data collection techniques will be used namely library research. And for the data sources consist of primary data sources including official reports from the Indonesian government and the European Union, and for secondary data sources obtained by analyzing journal articles, news, newspapers etc.

Thus, with the collection of data, data analysis is also carried out, by reducing data, presenting data and finally drawing conclusions (Miles & Huberman, 1994: 10).

III. RESULT AND DISCUSSION

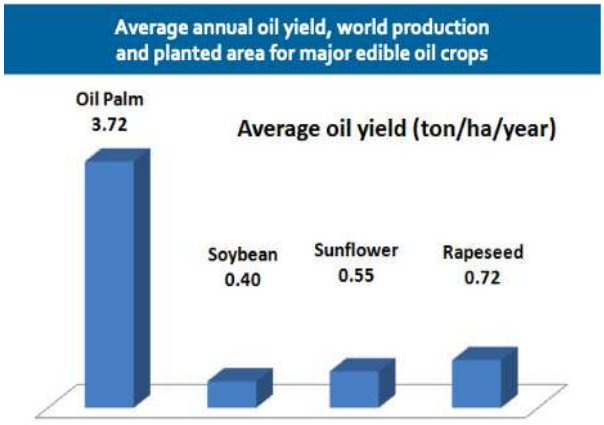
3.1. Issue of Non-tariff Trade Protection on CPO imports by the European Union

Basically, restrictions on imported products according to the WTO scheme are implemented with tariffs, but in the last decade there has been a shift in non-tariff trade barriers. One of them is the export of Crude Palm Oil from Indonesia to the European Union. Since 2015 until the first quarter of 2017 Indonesia has often faced considerable pressure especially from the CPO export sector to the European Union. CPO is indeed used by the European Union in various needs. This is supported by a higher level of CPO productivity compared to other vegetable oils produced in the European Union. Various attempts were made to limit imported products so that various policies were created that lead to the practice of non-tariff trade protection (GAPKI, 2017b).

The European Union through its Official Journal stated that forest fires Indonesia are usually the result of land clearing for oil palm plantations and another agricultural use. In 2015, it was stated that 52% of forest fires that occurred in Indonesia made Indonesia as one of the biggest contributor to the global warming on earth. The establishment of oil palm resulted (European Parliament, 2018b).

However, if we look at the fact that palm oil is also one of the most potential vegetable oils to be used, which is then illustrated in the diagram below:

Diagram 3.1 Average annual oil yield, world production, and planted area for major edible oil crops



Oil Crop	Average oil yield (ton/ha/year)	Planted area (million hectare)	% of total planted area	Production (million tons)*	% of total production
Oil Palm	**3,72**	**13,58**	**5,35**	**55,88**	**36,3**
Soybean	0,40	103,9	40,92	41,41	26,9
Sunflower	0,55	23,99	9,45	13,24	8,6
Rapeseed	0,72	33,07	13,02	23,71	15,4
Others		79,38	31,26	19,71	12,8
Total **		253,92		153,95	

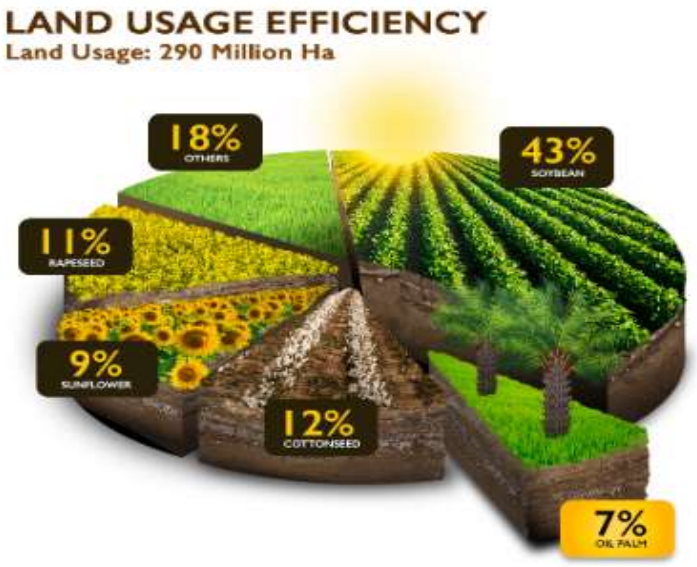
Source: Oil World. 2012

From the production side, the growth of palm oil since 1980 to 2011 showed a positive trend followed by high demand from 4.5 million tons to 55 million tons. According to Oil World (2007) palm oil produced an average 3.72 tons of oil per hectare which is more economical compared to 0.40 tons of soybeans/hectare, and 0.72 tons of rapeseed oil/hectare. In other words, palm oil trees produce 10 times more oil per hectare than soybeans and 5 times more than rapeseed oil (Shimizu & Desrochers, 2012).

In terms of fertilizer use and energy spent on producing perton vegetable oil. For palm oil requires 4 kg of fertilizer, and energy around 0.5GJ. And for soybeans need 315 kg of fertilizer and 2.9GJ of energy. Other vegetable oil plants require up to 10 times the land to produce the same volume (Asian Agri, 2018). In terms of water use efficiency, oil palm only requires the least amount of water to produce pergigajoule energy, which is 85 cubic meters, compared to repressed 184 cubic meters, soybean 100 cubic meters, and sunflower 87 cubic meters (Oegroseno, 2018).

This indicates that the input from oil palm is very minimal but can produce sufficient maximum output. Thus, it is also said that this palm oil has a fairly economical production cost. According to Oil World, the price of palm oil is on the average about 10% to 30% cheaper than soybean oil and rapeseed oil (Shimizu & Desrochers, 2012). From land use for planting vegetable oils, palm oil also requires less land if compared to other vegetable oils, illustrated in this diagram below:

Diagram 3.2 Land Usage Efficiency for Major Vegetable Oil in the Worl



Source: Oil World, 2018

In essence, the linking of the issue of palm oil with environmental issues is a shield to limit the import of CPO into the EU market. European experts know exactly that deforestation throughout the world including in Europe is a normal thing in the development process. It is also undeniable that they actually know that Indonesia has a fairly large protected/conservation forest that is maintained as a home for biodiversity/wildlife protected by law and not converted to non-forest including in this matter for the benefit of the palm oil industry. Environmentalists in Europe also know that palm oil is not a commodity that produces the greatest carbon emissions (GAPKI, 2017b). This condition is a practice of non-tariff barriers to trade which is basically contrary to the free market. The European Union as one of the entities 'western countries' as a bearer of the free market, but in fact, often make efforts to limit imports on international trade. By looking at the phenomenon of CPO trade protection, the author will explain further about the instruments used by the European Union in an effort to limit CPO imports in the next section.

3.2. Instruments of CPO Trade Protection by the European Union

3.2.1. Renewable Energy Directive

The Renewable Energy Directive is basically a series of policies which promoting energy from renewable energy sources in the European Union. Specifically listed in the Renewable Energy Directive (2009/28/EC), this is one of Europe's energy consumption controls and to be increased the used of energy from renewable sources, together with energy savings and energy efficiency improvements which are an important part of the package steps that was needed to reduce greenhouse gas emissions. In addition, an important role

in promoting the security of energy supply, technological development and innovation and then providing opportunities for employment and regional development, especially in rural areas and remote areas (European Union, 2009). This RED policy also mandates that all member countries will have at least 10% of biofuel energy in the transportation sector by 2020 (European Union, 2009)

Furthermore, on 2016 the European Commission released a policy relating to the Renewable Energy Directive II to make the European Union a global leader in renewable energy and ensure that the 2030 goal will be achieved. RED II as one of the policy instrument promoting the use of renewable energy in the sectors of electricity, heating and cooling as well as transportation, and recognizes that the widespread use of renewable energy is the main steps to address supply security and climate change (Fuels Europe, 2017).

Overall the target for the consumption of Renewable Energy Sources in 2030 has been increased to 32%. In the transportation sector member countries must meet for fuel suppliers a minimum of 14% renewable energy by 2030 (European Commission's Science and Knowledge Service, 2019). There are several key points relating to transportation and fuel, one of which is the volume of palm oil raw materials frozen in 2019 and will be removed to 0 by 2030 (which will be phased in 2023) (SkyNRG, 2018).

Furthermore, the European Commission in 2019 adopted the Delegated Regulation (EU) 2019/807, followed by a 2-month oversight period by the Parliament and the Council of the European Union as per European Union standard procedures. The Delegated Act sets the following specific criteria:

- Determining the high ILUC-risk feedstock for which a significant expansion of the production area into land with high carbon stock is observed; and
- Certifying low ILUC-risk biofuels, bioliquids and biomass fuels.

This sets limit on high-risk biofuels, bioliquid, and biomass fuels with significant expansion in soils with high carbon stocks. This limit will also affect on the amount of fuel which can be calculated by member countries towards their national targets when calculating the national share of renewable energy and the renewable energy portion of the transportation sector. The European Commission will also adopt the attached report on the status of the expanding production of food and feed crops worldwide. Fuels produced from raw materials with a high risk of indirect land use change will be limited by tighter limits on consumption levels 2019 (European Commission's Science and Knowledge Service, 2019).

It also said that the impact of ILUC from biofuels, bioliquid, and biomass fuels to achieve savings in greenhouse gas emissions was felt in the oil crops sector. Renewable fuels made from such raw materials are widely considered to have a higher ILUC risk. Expansion of the area of production of raw materials into land with high carbon stocks is the point observed in this policy. Through this policy, indirectly cornering CPO especially from Indonesia was followed by an official report of the European Parliament

which stated that Indonesia was the largest contributor to global warming in the world. CPO products also through RED II policy and the Delegated Act 2019 will begin to abolish CPO imports by 2030 which is considered unsustainable.

3.2.2. RSPO Sertification

Rountable Sustainable Palm Oil develops due to growing concerns about the environmental on the impact of palm oil. Thus, the formation of the RSPO began with the demands of the European consumer market that wanted their products to be sourced from raw materials in which there were no human rights violations and there were criticisms and protests from a number of international activists for the adverse impacts caused by unsustainable oil palm plantations (Sawit Watch, 2013)

In 2017, the European Parliament recommends ensuring that all palm oil entering the European Union must be sustainable. The most extensive voluntary certification scheme is Rountable Sustainable Palm Oil. Basically, this certification is voluntary. However, the European Union Government and several large companies in the European Union have committed to only buy from producers that are certified as sustainable (European Parliament, 2018a). Furthermore, the European Union also stressed that sustainable schemes in the palm oil sector cannot be overcome only by voluntary actions and policies, but palm oil companies must also comply with binding rules and mandatory certification (European Parliament, 2018b).

The increasing absorption of CSPO (Certified Sustainable Palm Oil) shows that the RSPO certification system is functioning and therefore represents a credible certification scheme for its members (RSPO, 2019). Thus, this is one of the factors that 'requires' palm oil producers to pocket RSPO certificates to enter the European Union market

3.2.3. Negative Campaign

When compared to other vegetable oils such as rapeseed oil, sunflower, and soybean. Palm oil has far more potential starting from its relatively stable supply, followed by its relatively more competitive price, so it is not impossible that around 50% of the goods packed now in it contain palm oil. Because the CPO is said to be unsustainable, many actions from environmental NGOs, especially those taking place in EU member states, have carried out negative campaign actions.

As Green Peace released an article on palm oil and its supply chain in November 2007, "How the Palm Oil Industry is Cooking the Climate", stated that every year 1.8 billion tons of greenhouse gas emissions are gained by the degradation and burning of Indonesia's peatlands, this is driven by the increasing demand for palm oil in the food, cosmetics and biofuel industries. Nestle, Unilever, and Procter & Gable companies, among which they contribute quite a significant volume in the use of global palm oil, especially from Indonesia and Malaysia (Greenpeace, 2007). So, in early 2010, Unilever and Nestle unilaterally terminated the contract with PT. Sinar Mas, incidentally, is one of the largest oil palm companies in Indonesia (Greenpeace, 2018).

Unilever's decision, which is one of the largest companies in the world, is in line with a report by the Greenpeace

NGO stated that Sinar Mas has carried out illegal logging in the forests of West Kalimantan to develop its palm oil plantations. These decisions of the two large companies to terminate the contract with PT. Sinar Mas was followed by other companies. International companies specifically Burger King, Kraft, Cargill and Carrefour. In addition, in the same year KitKat, Ritz Cracker, Doritos, Dove and Colgate companies promised to stop doing business with forest destroyers, and would only buy palm oil from companies responsible for protecting forests (Greenpeace, 2018).

This Greenpeace activity has disrupted Indonesia's palm oil industry. Another impact caused by the campaign carried out by Greenpeace is degenerate reputation of Indonesian palm oil in the international world market (Sasmi, 2018)

In addition, the Frozen Food Store in the UK 'Iceland' banned the use of palm oil in their own branded products in 2018. One of the fourth largest food retailers felt that palm oil production in Southeast Asia was not sustainable and that harvesting palm oil had a devastating effect. After that, they will also make a 'No Palm Oil' sticker and display an image of orangutans as an unfriendly assumption of habitat in the oil palm plantation forest (Knox, 2018).

Afterthat, in 2012 France made a rejection known as Nuttela Tax because it contained palm oil in its mixed product. At that time the French government gave conditions to Nuttela producers, if they wanted to market their products in France, then they had to substitute palm oil with other vegetable oils. It is mentioned that palm oil causes cardiovascular disease due to the high saturated fat content in it, which then this policy received a lot of pressure from other countries so that France canceled this regulation as well (Zauhar, 2017). This was confirmed by the French Ecological Minister, who invited people not to consume Nuttela products because they contained palm oil. With the official statement from the European Union, it is difficult not to believe that the palm oil free labeling movement is also a European Union movement (GAPKI, 2019).

IV. CONCLUSION

Basically, trade protection practices often occur, very few countries in the world actually implement free market implementation. One of the problems brought by the European Union in importing CPO is that it is in accordance with the environmental problems stated by Thomas Oatley that the problem of international trade is faced with several policies implemented by governments that create trade barriers, both environmental and health regulations.

The implementation were the RED II policy towards the Delegated Act, also with the RSPO certification obligation, and the existence of a negative campaign on CPO products which is one of the instruments for conducting trade restrictions on Indonesian CPO products particularly. The RSPO certification obligations, and the existence of the RED policy are indirectly identified as a form of non-tariff trade barriers.

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