

# ENVIRONMENTAL DIPLOMACY: CASE STUDY OF THE EU- INDONESIA PALM OIL DISPUTE

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**ENVIRONMENTAL DIPLOMACY:  
CASE STUDY OF THE EU-INDONESIA PALM OIL DISPUTE**

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**Abstract**

**5** *The EU's decision to exclude palm oil as renewable energy in the Renewable Energy Directive II (RED) faced critics and protest from Indonesia and Malaysia. However, the EU argued that the expansion of palm oil has direct link with deforestation and degradation of forest. This research is eager to understand the dynamic of the European Union environmental diplomacy in the case study of the EU-Indonesia palm oil dispute. This research found that the dynamic of the EU environmental diplomacy in the case study of the EU-Indonesia palm oil dispute has three phases namely the low-carbon economy, the EU green leadership and the EU-Indonesia trade war.*

**1** **Key words:** *environmental diplomacy, palm oil, renewable energy directive, the European Union.*

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**Abstrak**

Keputusan Uni Eropa untuk mengeluarkan minyak sawit sebagai energi terbarukan dalam Renewable Energy Directive II diprotes oleh Indonesia dan Malaysia. Uni Eropa beralasan bahwa perluasan kawasan kelapa sawit telah menyebabkan deforestasi dan kerusakan kawasan hutan. Penelitian ini hendak memahami dinamika diplomasi lingkungan Uni Eropa melalui studi kasus konflik kelapa sawit antara Uni Eropa dan Indonesia. Penelitian ini menemukan bahwa dinamika diplomasi lingkungan Indonesia dalam studi kasus konflik kelapa sawit antara Uni Eropa dan Indonesia mengalami tiga tahap yaitu ekonomi rendah karbon, kepemimpinan hijau Uni Eropa dan perang dagang Indonesia-Uni Eropa.

**Kata kunci:** minyak sawit, renewable energy directive, Uni Eropa, diplomasi lingkungan

## Background

The time line of this research started from January 2018 when the European Parliament voted overwhelmingly to support the European Commission's plan to ban palm oil for biofuel starting from January 2021 (Guérend, Minyak sawit dan komitmen Uni Eropa, 2018). This plan is the result of the European Commission's research that the use of palm oil in biofuel has increased the deforestation and peatland degradation as well as emissions escalation (Reuters, 2018). Renewable energy directives (RED) is launched on 23 April 2009 with Directive 2009/28/EC on the promotion on the use of energy from renewable sources (European Union, 2009).

The European Union's (EU) RED has implication worldwide and there has been extensive study on the impact of the EU's RED to the environmental and social livelihood (Harnesk & Brogaard, 2016; Bowyer, 2010). Harnesk and Brogaard (2016, p. 78) further emphasized that "EU regulation on energy does interact with other interests in the global economy, and regulation that requires a large shift from one type of natural capital to another has the potential to influence land use and tenure around the world".

The EU is a special international organization. It is special because the EU

has strong bureaucracy control under the European Commission toward current 28 member states including the United Kingdom (Hix, 2005). Hix (2005) explained that the EU has complex process of regionalization and integration across sectors including economics, politics and socio-cultural. For example, the EU has single trade policy in its bilateral trade relations, World Trade Organization and other multilateral organizations.

For Ian Manners, the EU is a special organization because it is a normative power. Manners (2002, p. 239) defined normative powers as "the ability to shape conceptions of normal in International Relations". The EU has implemented many global policies in promoting new norms and values such as democracy, human rights, good governance and sustainable development. However, the EU's promotion on norms has provoked resistance and opposition from many conservative parties. For example, the EU's policy to ban Myanmar's military junta due to its record on gross human rights abuse found disagreement with ASEAN's policy on constructive engagement. EU's democratic and human rights mandate has influenced ASEAN member states to promote Asian values that emphasized order, culture and stability (Robertua, 2014).

It is claimed that EU's plan potentially harmed Indonesian palm oil production because Indonesian government is not serious in implementing sustainable land-use policies that enabled palm oil corporation harming forest and its biodiversity (Larsen, et al., 2014). Indonesia environmental diplomacy is in limbo after Indonesian civil society supported the EU's plan and urged total reform in Indonesian land-use and forestry sector (Rainforest Norway; Transport & Environment, 2019).

The main argument of Indonesian government is that forest should enable social welfare and economic growth. According to Wibisono (2015), Indonesian government should not become security guard (*satpam*) that has the responsibility to protect forest but has poor access to extract forest benefit and profit. Wibisono (2015) further argued that palm oil industry is a key engine of national and local economic growth that supported the betterment of local farmers' welfare. It is also claimed that EU's ban is a part of EU's black campaign of Indonesian palm oil and also part of EU's protectionist policy in favor of European rapeseed (Oegrosono, 2018).

Meanwhile Indonesian environmental civil society argued that Indonesia has been failed in protecting its

forest and instead sacrificed forests for the expansion of palm oil industry. There are a lot of research showing the increasing speed of deforestation in Indonesia and the destruction of protected animals' habitat (Bram, 2012; Berenschot, 2015). It is also evident there are increasing cases of land conflict between small farmers with big corporations (Kohne, 2014). Civil society has key role in campaigning Indonesia environmental record with the usage of social media such as Instagram, twitter or Youtube (Greenpeace, 2008).

### Research Question

This research focused to study the impact of EU's RED II policy to Indonesia. Due to environmental concern, the EU plan to impose palm oil import ban from Indonesia. The plan meet resistance and opposition from palm oil lobby groups and Indonesian government officials. In order to be able to answer those three points, the research question is: **How to understand the EU environmental diplomacy in the case study of the EU-Indonesia palm oil dispute?**

### Objective and Purpose

There are two objectives to be pursued in this research. Firstly, this research deals with the conceptual

development of environmental diplomacy. Environmental diplomacy can be seen from many point of view and can be elaborated into different form of policies. The failure of government in dealing with transnational environmental issues motivated Ali and Vladich (2016) to broaden environmental diplomacy including the engagement of civil society and academia.

The second objective of this research is to reformulate the EU as a distinct international actor in environmental diplomacy. There is a solid proposition that the EU has distinct notion of environmental diplomacy (Oberthur & Kelly, 2008). Oberthur and Kelly (2008) argued that the EU environmental diplomacy was characterized as united and coordinated as well as coherent with domestic measures. It is a challenge for international organization to have a common position on environmental issues. However, environmental issue is a driver for European integration as member states voluntarily support and implement the EU's decision related to environmental problems.

### **The EU Environmental Diplomacy**

The EU-Indonesia palm oil dispute represented a question on the relevance of

Ali and Vladich's environmental diplomacy. Ali and Vladich (2016) mentioned that there are three interlinked element of environmental diplomacy namely economic growth, environmental protection and social justice. Palm oil industry is a key engine of Indonesian economic growth but it is claimed that it didn't care about environmental justice and environmental protection (Alisjahbana & Busch, 2017). The recurrence of forest fires and transboundary haze in Southeast Asia marked ecological crisis questioning the domination of economic growth within environmental diplomacy (Varkkey, 2011).

The rivalry of developed and developing countries and corporation and civil society shows the relevance of Ali and Vladich's environmental diplomacy. Bernstein (2001) shows that in the beginning of 1971, developing countries are obliged to comply with demands and requirements of developed countries, prioritizing environmental protection, and neglecting the need of developing countries for welfare and development. Environmental diplomacy deals with power game that the powerful countries have privilege to set the standard of environmental protection to be complied by powerless countries (Bernstein, 2001). However, in United Nations Conference

on Human Environment in Stockholm, Sweden in 1972, developed countries agreed to the notion “environmental protection requires substantial transfers of financial aid, technology and scientific information to developing countries” (Bernstein, 2001, p. 48).

According to Ali and Vladich (2016), environmental diplomacy deals with value conflict. What kind of norms and value within the environmental diplomacy to be implemented? According to McBeath and Wang (2008), there are four goals of environmental diplomacy namely attracting foreign economic assistance, building institutional and human capacity, protecting domestic political stability and curbing unsustainable economic growth. In the case of China, developing countries will employ and send skilled diplomats that can present the sophisticated tactics to gain more benefit from multilateral environmental agreements and developed countries will hire consultant to monitor and evaluate its aid and assistance (Shouqiu & Voigts, 1993).

Instead of debating the norms of environmental diplomacy, Forsyth (2014) preferred to discuss the effectiveness of the tools to persuade other countries in relation to its environmental interest. In the case of transboundary haze in Southeast, Forsyth

(2014) argues that public opinion is neglected in the formulation of Indonesian and Singapore environmental diplomacy in dealing with this transboundary haze problem. Newspaper is now important part of environmental diplomacy. Gilboa (2008) argued that public diplomacy is the result of integration of four branch of social science: International Relations, Public Relations, Media and Branding. In sum, environmental diplomacy is about the application of communication tools to shape people’s mind about a country’s performance in environmental issue. The question is changed from the developing vis-à-vis developed countries into effectiveness of communication strategy in achieving reputation and image as environmental villain or protector.

In International Relations, public diplomacy is part of soft power that emphasized aid, dialogue and media to influence state’s decision in the management of natural resources. Public opinion, branding, image, and reputation offered rich variation for policy-makers in ensuring environmental protection around the world. Public relation lobbyist and consultant firms will survey news regarding specific environmental issue and advised communication strategy to change perception regarding government’s reputation on the environmental issue. For

example, the European Union used its reputation as global green leader to devise its trade and economic policies to improve environmental performance in other countries including Indonesia (Kilian & Elgström, 2010). Killian and Elgström (2010) concluded that the European Union has successfully used its economic weight and internal solidarity in establishing the perception of the European Union as global green leader.

Interestingly, Adelle, Biedenkopf, and Torney took an alternative point of view focusing the effectiveness of the EU's External Environmental Policy in the third countries. Instead of the debating the interests of European Commission vis-à-vis member states in global climate negotiation, they argued that "The EU's external environmental policy—how it pursues its environmental objectives outside of its borders—remains comparatively under-researched" (Adelle, Biedenkopf, & Torney, 2018, p. 3). Because of lack of interest in studying the EU's tools to influence non-EU countries, Adelle, Biedenkopf and Torney reviewed the effectiveness multilateral environmental agreement, preferential trade agreement, and environmental issues movement as the tools for the EU to influence other countries' policies in the environmental affairs.

### Research Method

This research adopted qualitative research design. In this regard, the aim of researcher is to understand, not to explain. Hollis and Smith are International Relations theorists that used the distinction of understanding and explaining to differentiate qualitative and quantitative research respectively. For Hollis and Smith (1990), the aim of qualitative research is to explore the richness of inside story of certain event, knowledge and truth meanwhile quantitative researcher will bring simplified outside story of those events and knowledge with causal relationships. Steve Smith (2010) emphasized Hollis and Smith's qualitative argument mentioning the importance of diversity and debate in International Relations theories. The challenge for qualitative researcher is to bring more different arguments, concepts and theories to enrich options, alternatives and variety of International Relations communities.

To analyze data, this research will use case-study method. EU palm oil ban to Indonesia is selected as a case study to review the EU environmental diplomacy. EU palm oil ban to Indonesia is selected because the importance of Indonesia as the palm oil producer to the EU and the availability of related informants closer to

the researcher. As stated by Creswell (2003), case-study method needs in-depth exploration of certain subject. This research will elaborate deeper on the EU environmental diplomacy and European Union politics in order to answer the research question.

The author obtained primary data from three informants, one op-ed article, one letter to editor, and two news article for primary data of this research. First primary data is short interview with Vincent Guérend. Vincent is the EU ambassador to Indonesia. He also wrote an op-ed article to Kompas titled “Minyak Sawit dan Komitmen Uni Eropa” defending the EU position on renewable energy directive and palm oil ban. Third primary data is Guérend’s letter to editor in the Jakarta Post regarding the EU’s stance on palm oil dispute with Indonesia.

Beside Vincent, the author also interviewed Fransisco Fontan Fardo. He is the EU ambassador to ASEAN. The EU’s RED has economic and political consequences not only for Indonesia but also Malaysia (Guardian, 2018). Indonesia and Malaysia are two prominent political player in ASEAN. From Indonesian point of view, the author interviewed Ruandha Agung Sugardiman, Director General of Climate Change Control of Indonesian Ministry of Environment and Forestry.

The author also do text analysis on two news articles from various media clips that covered the EU-Indonesia palm oil dispute using the EU and Indonesia perspective.

### **Low-Carbon Economy**

The EU-Indonesia palm oil dispute is a case to formulate the EU environmental diplomacy. As suggested in the literature review, the EU environmental diplomacy is an attempt to transfer the EU’s external environmental rules, regulation and objectives to third countries and international organizations (Adelle, Biedenkopf, & Torney, 2018, p. 3). According to Adelle, Biedenkopf and Torney (2018), the forms of the EU environmental diplomacy including the manipulating utility calculation, capacity building, and dialogues and negotiation. However, it didn’t touch the problem of the effectiveness of the EU environmental diplomacy in addressing overpopulation, overconsumption and excessive economic growth regionally and globally.

The EU’s renewable energy directive II (RED) is a manifestation of the ambitious environmental diplomacy that focused on reversing economic globalization and limiting economic growth. It can be seen from Ambassador Guérend’s article elaborating the examples of low-carbon economy. The ambassador



argued that “As part of its own climate commitments, the EU set itself a target to have at least 27% of energy consumed in the EU come from renewable sources by 2030” (Guérend, Minyak sawit dan komitmen Uni Eropa, 2018). To achieve this target, the EU implemented many policies including enforcing low-carbon economy. In the article, Guérend (2018) mentioned waste management, plastic-free society and local farming as forms of low-carbon economy. However, according to Guérend (Letter to the editor: EU ambassador on palm oil stance, 2018), “Palm oil, like any other crop, will need to pass new, “objective and non-discriminatory” criteria to be considered and encouraged as a low carbon, renewable energy source.”

Low-carbon economy is also the goal of renewable energy directive. Fossil fuel is the key driver of climate change due to its reputation as the biggest emitter of carbon dioxide. However, the source of renewable energy is still debated. The use of wind and solar energy is not enough answering European energy demand. In 2015, renewable energy only accounted 13% from the EU total energy consumption outnumbered by petroleum and solid fuels with 50.6% (The European Union, 2017). Nuclear energy is highly controversial alternative due to the risk of

nuclear leakage as happened in Fukushima, Japan in 2011. Biofuel from palm oil is seen as an interesting prospect due to the price advantage (Reuters, 2018). This is confirmed in the seminar with Ambassador Guérend in 2019 that the number of the biofuel import from Indonesia and Malaysia to the EU increased significantly due to the implementation of RED.

In response to the popularity of biofuel in the EU, there is a critic whether biofuel is eligible to be categorized as the renewable energy. The critics toward the implementation of RED is that “in particular the increase in demand for crops for biofuels can contribute indirectly to growing pressure on forests and other carbon-rich ecosystems, and therefore increase emissions from land use change. Such emissions are mostly expected to take place in third countries, where the additional production is likely to be realised at the lowest cost (European Union, 2016)”.

EU’s argument on land-use change in third countries provoked counter-argument from Indonesia. Indonesian government argued that the EU’s critic on biofuel is based on the EU’s protectionist policy on European rapeseed. The dispute between Indonesia and the EU on palm oil is not only about environmental concerns

but also business concerns (Sugardiman, 2019). According to Sugardiman (2019), the problem of deforestation in Indonesia is declining sharply because Indonesia has regulation to prevent deforestation in regards to palm oil industry. He argued further that “primary forest can’t be automatically wiped out because it need long time to be used as plantation field. Palm oil company can’t use conservation forest to be palm oil plantation due to the nature barrier”.

The problem is that the EU has already conducted research linking deforestation and consumption in the EU and concluded with the concept of “embodied deforestation”. Embodied deforestation is “deforestation embodied (as an externality) in a produced, traded or consumed product good, commodity or service. It is deforestation associated with the production of a good, commodity or service” (European Union, 2013). An example of embodied deforestation is palm oil or wood-based product that was cultivated from illegal conversion of primary forest.

The logic of embodied deforestation is that the increasing number of human consumption will lead to the increasing number of deforestation. Greenpeace’s campaign in European countries wanted to confirm this embodied

deforestation with the goal of reducing the European consumption of palm oil (Greenpeace, 2007). In the case of Greenpeace’s campaign against Nestle, for example, there were a video showing the death of Orangutan in Indonesia as the result of the European need of eating chocolate (CNN.com, 2010). Palm oil is important ingredients of chocolate and European need of palm oil is mainly imported from Indonesia. To confirm this embodied deforestation in the case of biofuel, Greenpeace (2007, p. 4) stated “Supplying Europe’s demand for biofuels is being driven by binding EU targets covering transport fuels ... Meeting this projected growth in demand for vegetable oil through palm oil, for example, would require more than 15 million hectares of mature oil palm plantation.”

Low-carbon economy in the EU environmental diplomacy means that there must be noble purposes within the EU external and internal policies. According to Ambassador Fardo (2019), the EU gives special access to poor countries to the EU market as part of the EU’s mission in addressing social injustice in International Relations. In this regard, trade is a form of political tool for political purposes. The criteria of the success of the EU environmental diplomacy is not only depend on the increase rate of the

economic growth of the EU and its partners, but also the ability of the EU to integrate social justice and environmental protection.

This statement also negated the conflict between social justice and environmental protection within the conceptual framework of environmental diplomacy. As stated by Ali and Vladich (2016), environmental diplomacy consists of three kind of conflicts; value conflict, identity conflict and distribution conflict. According to the author, the case of the EU's RED negated the Ali and Vladich's environmental diplomacy. It is now to think how to synergize social justice, environmental protection and environmental growth within the conceptual development of environmental diplomacy.

According to author, the EU implemented the ideal model of low-carbon economy. This analysis is inspired by the debate regarding the definition of sustainable development. Baker, Kousis, Richardson and Young (1997) have elaborated four type of sustainable development. In the lowest level, sustainable development is a tool to justify exponential growth but in the ideal level, sustainable development can be interpreted as a tool to limit exponential growth. In the ideal model, sustainable development

recommended extensive local self-sufficiency and changes in patterns of production and consumption (Baker, Kousis, Richardson, & Young, 1997). Using the experience of Baker's research in sustainable development and the EU's embodied deforestation, low-carbon economy now is enriched by the idea of limit to growth and extensive local self-sufficiency.

### **The EU as Green Leader**

After the elaborating the details of low-carbon economy within the EU environmental diplomacy, the EU officials highlighted the problem of the implementation of low-carbon economy in Indonesia especially in the case of palm oil governance. The first emphasis of the problem of palm oil governance in Indonesia is the legitimacy of Indonesia Sustainable Palm Oil (ISPO). The ambassador (Guérend, Letter to the editor: EU ambassador on palm oil stance, 2018) said that "we work closely with the Government of Indonesia at expert level to assess whether and how ISPO, or other schemes, could help demonstrate compliance for all or part of Indonesian PO". According to Guérend, the EU has yet trusted the performance of ISPO because ISPO didn't cover the most crucial part of palm oil area that comes from *Area*

*Penggunaan Lain* (APL). APL is land outside the forest estate designated for nonforestry such as agriculture and settlement (Rosenbarger, et al.). The ambassador worried that ISPO only hand-picked palm oil companies that able to join the certification and didn't motivate the palm oil companies in APL to join.

ISPO is established in 29 March 2011 as a response of Indonesia government in integrating sustainable palm oil in Indonesian palm oil industry. ISPO is directly managed by Ministry of Agriculture, Republic of Indonesia. Before establishing ISPO, Indonesia was a member of Roundtable of Sustainable Palm Oil (RSPO). RSPO was established in 2004 and it consisted of civil society, palm oil enterprises and government. RSPO is widely accredited for intensive monitoring on human rights and environmental impact of corporate practices (Nikoloyuk, Burns, & Man, 2010). In 2009, Indonesia decided to exit RSPO due to the problem of domination of civil society in RSPO's decision-making process and constant European protest toward Indonesia (National Geographic Indonesia, 2011).

The rivalry of RSPO and ISPO is addressed in the EU-Indonesia palm oil dispute. According to the ambassador, ISPO has two weaknesses; firstly, the

effectiveness of monitoring system and the civil society engagement. In RSPO, the prime purpose of certification is to give additional benefit for the palm oil farmer and corporation that have complied RSPO's sustainability criteria. RSPO's certified palm oil is more expensive around two US dollars than the non-certified palm oil (McCarthy, 2012). However, the substantial value of ISPO's certified palm oil is not similar to the RSPO's one. Government of Indonesia stipulated that ISPO is mandatory for all palm oil farmer and corporation but the author argued that it has lack of marketing tools to international buyers and monitoring tools to small palm oil farmers. Due to its lack of benefit to farmers, the number of member of ISPO is not increased significantly vis-a-vis RSPO. The ambassador stated that "instead of the ISPO, which was implemented by 15 percent of palm oil producers in Indonesia, the Roundtable on Sustainable Palm Oil (RSPO) was more globally recognized" (The Jakarta Post, 2018; Antaranews, 2018).

The second weakness of ISPO is the lack of engagement and participation from civil society: "The EU "strongly encourages" the Indonesian government to review the Indonesian Sustainable Palm Oil (ISPO) certification standard and make

it more responsible and transparent by involving civil society organizations (CSO)” (The Jakarta Post, 2018; Antaranews, 2018). In RSPO, there is a mechanism to review the membership of certain company as the result of its misconduct contradicting RSPO’s standard and principles. Civil society can file complaint letter to RSPO Grievance panel that authorized by RSPO to review the dispute and to decide the type of punishment. There are many cases showing that RSPO Grievance Panels ordered companies to change its practices and regulation in order to comply to RSPO standard and regulation (Kohne, 2014). There is none of these mechanism in ISPO.

Not only ISPO, the EU also pointed the problem of cooperation between the GAPKI and civil society. GAPKI is the biggest Indonesian palm oil association and GAPKI is strongly against the RSPO.

The problem with GAPKI is that the role of civil society in GAPKI’s decision-making process is minor. According to the ambassador, GAPKI need to embrace civil society (in this regard: “responsible buyers, customers and investors”) because civil society will help GAPKI in formulation decision and policy that prevented global and national

ecological crisis (in this regard: catastrophic consequences of rapid climate change and mass extinction of biodiversity on Earth”). The ambassador emphasized that civil society played key role in disconnecting the link between large scale-industrial life and ecological crisis. The marginalization of civil society in GAPKI is the factor of GAPKI’s difficulty in understanding sustainability criteria in the EU’s RED II.

The third point recommended the Forest Law Enforcement, Governance and Trade (FLEGT). The ambassador appreciated the performance of FLEGT, a joint effort between the EU and Indonesia on the trade of sustainable wood. The ambassador (Guérend, Letter to the editor: EU ambassador on palm oil stance, 2018) said: “I think of forestry obviously, where FLEGT licensing is starting to show positive results on both environment and Indonesian wood products exports. But the same could probably be said of other countries and commodities like soy, rubber, coffee, coco, etc.” According to the ambassador, the solution for the EU and Indonesia palm oil dispute is to copy FLEGT into Indonesian palm oil, rubber, coffee or soy.

FLEGT is the EU’s leading initiative in combatting global trade in illegal timber. The mechanism of FLEGT

is that the EU opened its market only for “FLEGT-licence” timber. In order to gain “FLEGT-licence”, timber companies must comply to the agreed rules and regulation. The EU and its partner will negotiate the rules using the Voluntary Partnership Agreement (VPA). Once VPA was agreed, it became legally-binding trade agreement. Then there will be joint committee consisting of civil society and government officials evaluating and auditing the “FLEGT-licence” application. The EU has negotiated VPA with Indonesia since 2007 and both countries signed VPA in 2013. In 1 May 2014, VPA entered into force and Indonesia started using FLEGT system since 15 November 2016 (Surur, 2018).

Indonesia is the biggest VPA-country trade partner with the EU. After the implementation of FLEGT in 2016, Indonesia’s timber export to the EU accounted around one billion Euros in 2016 (EU-FLEGT, 2019). Not only that, Indonesia issued more than 39.000 FLEGT-licences for shipments in 2016. For the EU environmental diplomacy, this is a confirmation on how civil society, companies and governments worked together setting rules and criteria as the part of campaign against deforestation and illegal timber trade.

The EU’s move to pointed the problem of ISPO and GAPKI as well as

the model of FLEGT is a way to understand the EU green leadership. After setting the foundation of low-carbon economy within the EU environmental diplomacy in palm oil governance, the ambassador moved to a new stage; confirming EU as the green leader. According to Kilian and Elgström (2010), the EU is widely perceived as a “credible green leader”.

Non-EU countries see the EU as green leader in two ways. Firstly, the EU’s structural weight. <sup>8</sup> The EU is the second biggest economy in the world consisting of 28 members states. The EU is a very attractive market for many countries due to its high purchasing power and the sheer size of its market. The EU is also the biggest development donor channeling financial resources and advanced technology to poor countries around the world.

<sup>3</sup> The EU used its internal market to change Indonesian behaviour. This is in line with Postnikov’s article that the EU used its trade policy to force its partners to ratify multilateral environmental agreements (Postnikov, 2018). Postnikov (2018, p. 61) argued “Trading with countries that have lower environmental standards than the EU can also put European producers at a competitive disadvantage, which means concerns about

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levelling the playing field are part of the EU's motivation to promote high environmental standards outside of its borders".

Secondly, the EU's unique model of low-carbon economy. The EU put ambitious target and poured significant resources in pursuing its target. This ambition is a reference for other countries in their implementation of its promise in climate change regime.

The author argues that the EU's leadership can also be seen in the EU-Indonesia palm oil dispute. The EU is the second largest customer for Indonesia palm oil after China. Losing the EU market means losing significant business opportunities for Indonesia companies. In 2017, palm oil export to the EU increased 28%. The EU's leadership in the EU-Indonesia palm oil dispute can also be seen in the implementation of FLEGT. The EU's FLEGT has been implemented in 16 countries in three regions including China and Indonesia. The success of FLEGT regime is an engine powering the EU leadership in combatting deforestation and illegal timber trade.

This research argued that the EU's green leadership can also be seen in its initiative setting the definition of the low-carbon economy. The EU has the capacity and capability to criticize the

implementation of the low-carbon economy in non-EU countries and to show the EU's model is more sufficient in addressing the current global environmental problem. In the EU-Indonesia palm oil dispute, the EU used its capacity to criticize the implementation of ISPO and the performance of GAPKI and recommended to adopt FLEGT-model into Indonesian palm oil governance. This is in line with Ian Manner's conception of the EU's normative power that the EU wanted to shape the conception of normal in International Relations. EU's green leadership is not only material power but also normative and ideational factors.

#### **The EU-Indonesia Trade War**

The EU environmental diplomacy moved to a new phase after Indonesia's response toward the EU-Indonesia trade war. Indonesia threatened to boycott the EU import in Indonesia and filed a case in World Trade Organization's Dispute Settlement Body (The Jakarta Post, 2019). The Indonesia environmental diplomacy is now solid against the EU's RED II stating that the EU's RED II is discriminatory toward Indonesia and Malaysia. According to the author's interview with Sugardiman (2019), the EU's RED II was aimed to protect the inefficient European rapeseed and sunflower. Indonesian palm oil is seen

as a real threat to the European sunflower farmers. Ambassador Guérend (The EU's RED II, 2019) argued that there is agitation toward the EU environmental diplomacy that provoked nationalist sentiment in Indonesia that lead to an argument of EU's external intervention of a sovereign country.

There are two important points in regards to the potential EU-Indonesia trade war. Firstly, the EU didn't want to engage in trade war. The ambassador stated that "If it is possible, let's have win-win solution in sustainability instead of boycott and harmed all of us" (Author translation) (CNNIndonesia, 2019). The EU wanted to avoid emotional boycott from Indonesian government which harmed the EU-Indonesia trade. The ambassador wanted to emphasize the net benefit for Indonesia and the EU in their bilateral trade. It is also confirmed in the author's interview with Ambassador Fardo (2019).

The focus of the EU environmental diplomacy is the sustainability issue. EU's RED II is a way for Indonesia and the EU to have positive-sum game in sustainability issue. Potential trade war between Indonesia and the EU emphasized the question of justice and fairness in international trade. However Indonesian government didn't emphasize the benefit of the EU's RED II in bringing betterment

in Indonesian palm oil governance. The author argued that the implementation of "carrot-and-stick" approach is needed to ensure effective impact toward sustainable palm oil. This research proposed that the betterment of ISPO will be the "carrot" for palm oil companies and the EU's RED II will be the "stick" to the violators of sustainable palm oil. According to the author, this is the meaning behind the ambassador statement of "win-win solution is sustainability".

Secondly, the EU and Indonesia have a consensus to solve the palm oil dispute in the World Trade Organization (WTO). The ambassador said: "If there is a conflict of interest in trade, it is better to be evaluated in the WTO. That is the right way. We believe that in many parts of the world, dispute should be solved in the WTO" (CNNIndonesia, 2019). In this article, the EU highlighted the importance of the inter-governmental cooperation body WTO in deciding the solution of this dispute. Again, the WTO is the authority in reviewing the implementation of the most-favoured nations principles that trade policy toward certain country will apply to all countries. It is the rights of all nation to demand fair and just trading system. However, it is also important to implement sustainable trade through tariff and non-tariff policies. For the author, it is also the



critic for the WTO that global trade system should not only address the question of unfair rules but also social justice and environmental protection.

### Conclusion

The European Union (EU) environmental diplomacy in the EU-Indonesia palm oil dispute has revolved around three main issues, namely the link between deforestation and renewable energy, the EU's response toward Indonesian Sustainable Palm Oil (ISPO) and the Indonesia's response toward the EU's RED II. In the EU's RED II, the EU decided to exclude palm oil as renewable energy due to the impact of palm oil expansion toward forest and its biodiversity. Indonesia Sustainable Palm Oil (ISPO) is potential in bridging the gap between Indonesia's commitment in combatting deforestation and the reality of massive forest degradation in Indonesia. This research found that the EU is critical toward the implementation of ISPO because of the lack of participants joining ISPO and the lack of engagement with civil society.

The author argued that the EU-Indonesia palm oil dispute is an arena for the EU to be a green leader. Using the case of the EU's FLEGT, the EU has engaged intensively with civil society and expanded

the network and participants of FLEGT using binding international agreement. Similar to the EU's FLEGT, The EU's RED II is a way for the EU to enforce the ideal low-carbon economy to the EU's counterparts including Indonesia and Malaysia in the case of sustainable palm oil. According to interviews with the EU's diplomat, ISPO need to be reformed and upgraded to ensure significant changes in patterns of production and consumption. The EU's green leadership is manifested in the EU's RED II.

The EU's RED II provoked resistance and counter-arguments from Indonesian officials. According to interview with Indonesian official, the EU's RED II is a political tool to protect the European rapeseed and sunflower that rivalled Indonesian palm oil. It is also emphasized that Indonesian government has conducted policies that prevented deforestation and degradation of carbon-rich ecosystem. In response to the EU's RED II, Indonesian government has launched law suit against the EU in the World Trade Organization (WTO). For Indonesian government, the EU's RED II has violated the basic principles of global trade system namely fairness and non-discrimination. The EU-Indonesia palm oil dispute is now entering the WTO's dispute resolution body.

In the case of the EU-Indonesia palm oil dispute, there are three stages of the EU environmental diplomacy namely the stage of norm emergence, norm leadership and norm contestation. In the stage of norm emergence, the EU introduced the ideal model of low-carbon economy to the world. Then the EU ensured that the EU has implemented its policy internally and set an example to other countries. In the next stage, the EU used its model to be enforced in other countries using its economic, political and diplomatic power. This is the phase of the EU's green leadership. However, the EU's green leadership face resistance and opposition from its partners. The threat of boycott of European product in the Indonesian market marked the new phase of norm contestation. This case confirmed that International Relations has many competing values and norms.

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