

Analysis of European Union Non-Tariff Trade Barriers on Crude Palm Oil Imports from Indonesia

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Abstract

This study examines the impact of the European Union's non-tariff trade barriers on Indonesia's crude palm oil (CPO) exports, focusing on the Renewable Energy Directive (RED) and its successor, RED II. Despite palm oil's global competitiveness due to its cost-efficiency, high yield, and multifunctional applications, the EU has increasingly restricted its imports by citing environmental concerns, particularly related to deforestation and greenhouse gas emissions. Using a qualitative case study approach, this research analyzes the form and rationale behind EU trade policies, drawing on primary and secondary data, including official government reports, stakeholder interviews, and document analysis. The study finds that RED II and its implementing regulations, such as the Delegated Act 2019, function as de facto trade barriers that significantly constrain Indonesia's CPO export performance. These measures reflect a policy shift prioritizing sustainability and climate goals, often to the detriment of Indonesian trade interests. The findings underscore the need for Indonesia to strengthen its palm oil diplomacy, enhance the transparency of sustainability certifications, align with international standards, and diversify export destinations. This research contributes to a deeper understanding of international trade dynamics and offers strategic insights for future trade negotiations.

Keywords: Crude palm oil, european union, non-tariff barriers, RED II, trade policy.



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INTRODUCTION

In recent years, Indonesia has faced significant challenges in the export of non-oil and gas commodities, particularly regarding the restriction of crude palm oil (CPO) exports to the European Union. The palm oil sector is one of Indonesia's largest foreign exchange earners in the non-oil and gas category and plays a vital role in absorbing labor and driving Gross Domestic Product (GDP) growth. This strategic role positions the palm oil industry as an essential instrument for the Indonesian government in its efforts to reduce unemployment and poverty. The European Union is recorded as Indonesia's third-largest trading partner in palm oil exports (GAPKI, 2017), making trade relations in this sector a critical issue for academic and policy-based inquiry.

Palm oil serves as a primary raw material in the global production of vegetable oil, essential in everyday life (Gozan et al., 2023; Zahan & Kano, 2018). As the most widely produced and consumed vegetable oil globally, palm oil offers competitive advantages in terms of price, supply volume, and versatility. Its stability under high heat makes it ideal for frying processes (Mba et al., 2015), while its high content of antioxidants, carotene (Vitamin A), and Vitamin E provides added value. Beyond the food sector, palm oil is also widely used in non-food industries such as margarine, soap, shampoo, wax, and even as a raw material for bio-based energy (Shimizu & Desrochers, 2012). With such multifunctional potential, the palm oil industry is expected to possess strong global competitiveness (Zuhdi et al., 2021), including within the European market (Mohamad & Ab-Rahim, 2024; Wibowo et al., 2021).

Nevertheless, the European Union has shown considerable concern for environmental aspects in its commodity import policies, including palm oil (Purnomo et al., 2020). One of the key approaches has been to promote the use of renewable energy sources, particularly biofuels, driven by growing concerns over fossil fuel scarcity and the need for energy security. As a result, alternative energy sources such as bioethanol and biodiesel have been encouraged as environmentally friendly solutions (Jank et al., 2007). The raw materials for biofuel production are derived from various vegetable oils, not only rapeseed, soybean, and sunflower oils, but also palm oil (Wan Osman et al., 2024). Despite this, palm oil has often been linked with environmental degradation issues (Wang et al., 2022), especially deforestation and forest fires arising from land conversion for palm plantations in Indonesia.

Over the past few decades, Indonesia's crude palm oil exports have encountered persistent non-tariff trade barriers imposed by the European Union (Sutrisno, 2019; Zaki & Syahputra, 2021). The EU has argued that forest fires in Indonesia are primarily caused by land clearing for palm oil plantations and other agricultural purposes. For instance, in 2015, approximately 52% of the forest fires that occurred in Indonesia made the country one of the largest contributors to global warming (Bangun et al., 2020). The palm oil industry has been accused of contributing to severe environmental impacts such as river depletion, soil erosion, water pollution, and biodiversity loss, all of which significantly affect climate stability and natural resource sustainability (European Parliament, 2018). These concerns served as the foundation for the enactment of the Renewable Energy Directive (RED) (2009/28/EC), which regulates energy

consumption and promotes the transition toward renewable energy sources within the EU (European Union, 2009).

As a reinforcement of its environmental commitment, in 2018, the European Union introduced an updated policy known as RED II (Kinseng et al., 2023), which increased the renewable energy target for the transportation sector to 14% by 2030, up from the previous 10% (Esmaeili Aliabadi et al., 2023). RED II promotes renewable energy utilization across electricity, heating and cooling, and transportation sectors. Moreover, it stipulates a phased reduction of palm oil-based biofuel feedstock, starting in 2023, and a complete phase-out by 2030 (European Commission's Science and Knowledge Service, 2019). This policy was later followed by the Delegated Act 2019, which more explicitly set quantitative and temporal restrictions on CPO imports from major producing countries, including Indonesia.

Based on the above context, this study aims to analyze the various forms of non-tariff trade barriers imposed by the European Union on Indonesia's crude palm oil exports, and to investigate the underlying rationale and justification for such policies, especially in the post-RED II and Delegated Act 2019 era. The novelty of this research lies in its comprehensive examination of two key elements: first, an in-depth elaboration of the RED policy as a foundational framework for restricting CPO trade; and second, a detailed evaluation of the actual implementation of EU non-tariff measures on Indonesian CPO. This study is expected to contribute both academically and practically by providing a clearer understanding of international trade barriers and offering strategic insights for Indonesia's future trade diplomacy efforts.

METHOD

The research method used is a qualitative research approach. Qualitative methods with a case study approach are considered the most relevant method to the problems raised in this paper, through various informants and interpreting data so that the form and reasons for the European Union to protect Indonesian CPO trade are obtained. In an effort to describe this research, there are several activities that will take place such as narratives, research records, data analysis and interpretation of conditions that occur in the field. In addition, the selection of descriptive writing techniques is considered the most appropriate because it takes the topic of European Union trade protection which in essence will describe the form and reasons behind the trade protection. In this study, many parties are directly involved in the issue, including the Indonesian Government which includes the Coordinating Ministry for Economic Affairs, the Ministry of Foreign Affairs, the Ministry of Trade, the Ministry of Agriculture, the European Union Representative for Indonesia, the Indonesian Palm Oil Entrepreneurs Association (GAPKI), and indirectly the Indonesian people who rely on the palm oil industry, so in this case the researcher will conduct data analysis on official government reports, press releases, and news on websites related to the writing of this research.

In analyzing the research data, the researcher used the steps from Miles and Huberman (1994:10), namely: (a) Data Reduction. Data obtained from researchers from various sources at the time of data collection will be very complex and complicated. Researchers carry out data reduction, by selecting which data is indeed relevant to then be summarized by focusing on important things that are the common thread in this study. The data that has been reduced will

provide a neater and more structured explanation that makes it easier for researchers to collect data further. (b) Data Presentation. After the data is reduced, the researcher will then present the data. In this study, data presentations will be carried out in the form of narratives, tables, diagrams, and others. (c) Drawing Conclusions. The last step is to analyze the data and draw conclusions. In conclusion, the researcher will explain the answers to the problem formulations that have been previously stated with various scientific evidence.

Meanwhile, to obtain data validity, researchers complement it with data triangulation. Data source triangulation is one of the techniques for checking data from various sources and in various ways. Several types of data triangulation techniques according to Creswell (2007:208) are researcher triangulation, method triangulation, data source triangulation and theory triangulation. In this case, to avoid bias and inaccuracy of data, researchers also check and match data with other secondary sources, such as official government reports and documents (such as Government Regulation Number 71 of 2014 concerning Protection and Management of Peat Ecosystems, RED II, etc), news, journals both national and international, and relate them to theory, so that the data obtained will be more valid and reliable.

RESULTS AND DISCUSSION

RED Policy in the European Union

Global concerns regarding energy security and the volatility of international crude oil prices have intensified efforts to identify alternative energy sources, particularly renewable substitutes for fossil fuels (Solaymani, 2024). Among the most prominent alternatives is biofuel, which is produced from biological resources and has gained substantial attention in recent years (Khan et al., 2021; Malik et al., 2024; Priya et al., 2022). The European Union (EU) has positioned the development and harmonization of biofuel policies across its member states as a strategic priority (Deppermann et al., 2016). This commitment was institutionalized with the adoption of Directive 2003/30/EC, which promoted the use of biofuels and other renewable fuels in the transportation sector. The directive initially targeted a minimum market share of 2% by 2005 and 5.75% by 2010, granting member states flexibility in implementation strategies while mandating annual progress reporting (Cadillo-Benalcazar et al., 2021).

Complementary to this, Directive 2003/96/EC on energy taxation was also introduced, providing fiscal incentives such as tax exemptions and reductions to stimulate biofuel utilization. The European Commission underscored the necessity of national-level obligatory targets and the sustainability of biofuel production processes (Amezaga, 2010). In 2007, the Renewable Energy Roadmap proposed a legally binding objective of achieving 20% renewable energy in gross final energy consumption by 2020, which included a mandatory minimum share of 10% biofuels in transportation fuel consumption (Scarlat et al., 2015). This initiative reflects the EU's broader vision of transitioning towards a high-efficiency, low-carbon economy.

Since the inception of mandatory biofuel targets, the sustainability of biofuel production has been emphasized as a critical condition (European Federation for Transport and Environment, 2006). The Renewable Energy Directive (RED) 2009/28/EC was formulated to ensure compliance

through stringent sustainability criteria. The directive was endorsed by both the European Parliament and the Council, forming the foundational policy framework for promoting renewable energy deployment in the EU. Biofuels are considered instrumental in achieving the EU's greenhouse gas emission reduction commitments (European Commission, 2014).

Directive 2009/28/EC further recognizes the expansion of renewable energy sources in the transport sector as a key mechanism to reduce dependency on imported petroleum—an issue that remains central to energy supply security (J Taa et al., 2020). From an economic standpoint, investments in decentralized and locally sourced renewable energy technologies generate opportunities for regional economic development and job creation. Environmentally, the integration of renewable energy with energy efficiency measures is essential to both emission reduction and import substitution objectives. The promotion of decentralized energy systems not only enhances local energy security through reduced transmission losses and shorter supply chains, but also contributes to social cohesion by supporting local economies (European Union, 2009). Moreover, RED mandates that by 2020, each member state must ensure that at least 10% of the energy used in transportation originates from biofuels (Lundberg et al., 2023; Mitkidis et al., 2018; Panoutsou et al., 2021). This target is complemented by an amendment to the Fuel Quality Directive (FQD), which imposes a requirement for fuel suppliers to achieve a 6% reduction in the life-cycle greenhouse gas intensity of transport fuels relative to conventional diesel and gasoline (Chong & Ng, 2021; European Union, 2009).

In 2018, the EU launched the revised Renewable Energy Directive (RED II) (Monti & Martinez Romera, 2020; Sihotang, 2022), aimed at reinforcing the EU's leadership in the global renewable energy transition and at guaranteeing the fulfillment of its 2030 targets. Under RED II, the target for renewable energy consumption was raised to 32%, with a specific mandate that at least 14% of transport sector energy must derive from renewable sources by 2030 (European Commission's Science and Knowledge Service, 2019; Stubenrauch & Garske, 2023). A significant provision of RED II is the phase-out of palm oil as a feedstock for biofuel production due to concerns about indirect land-use change (ILUC). The Delegated Regulation (EU) 2019/807 introduced explicit criteria for identifying high ILUC-risk feedstocks and for certifying low ILUC-risk biofuels, bioliquids, and biomass fuels. This regulatory approach imposes limits on the contribution of high ILUC-risk fuels towards national renewable energy targets (SkyNRG, 2018).

The European Commission also committed to submitting regular reports on global trends in agricultural expansion linked to biofuel production (Sumfleth et al., 2020), thereby enabling member states to make informed decisions based on updated data and sustainability benchmarks. Biofuels derived from high ILUC-risk feedstocks are subject to progressive restrictions, with consumption levels capped relative to 2019 figures (European Commission's Science and Knowledge Service, 2019). Beyond energy policy, the EU has expressed a broader commitment to sustainable land management, aiming to halt deforestation, restore degraded ecosystems, and enhance reforestation by 2020. The 2030 Agenda further extends this commitment by promoting sustainable production systems and encouraging corporate

responsibility in supply chains. A substantial portion of recent tropical deforestation—approximately 49%—has been attributed to illegal agricultural expansion, driven by global demand for commodities such as soy, beef, corn, and palm oil (European Parliament, 2018). Consequently, these dynamics have contributed to persistent barriers against Indonesian palm oil exports to the European Union, amplifying the need for sustainable certification and compliance mechanisms in global agricultural trade.

Analysis of Productivity of Major Vegetable Oils in the World

Basically, oil is inseparable from everyday life. Palm oil in particular is the most consumed and produced oil in the world, meaning that palm oil has quite a potential value.

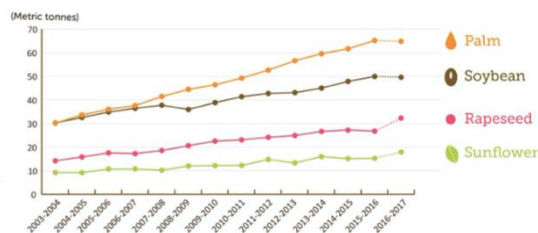


Figure 1. Global Demand for Vegetable Oils
Source: Oilseeds, USDA, 2017

The Figure 1 above presented indicates a consistent upward trajectory in global demand for palm oil, underscoring its predominant position among various vegetable oils in terms of consumption volume. This widespread utilization can be attributed to several intrinsic characteristics of palm oil, including its smooth and soft texture, neutral aroma, and multifunctional properties that enhance its applicability across a broad range of food formulations. Additionally, palm oil possesses natural preservative qualities that contribute to extended shelf life of processed food products, thereby increasing its appeal within the global food industry (RSPO, 2019). Moreover, from an agronomic perspective, oil palm is recognized as the most productive oil-bearing crop in terms of yield per hectare (Alhaji et al., 2024; Barcelos et al., 2015), offering a significantly higher extraction rate compared to other vegetable oil sources, thus reinforcing its efficiency and economic viability in both industrial and agricultural contexts.

From the production standpoint, historical data from 1980 to 2011 demonstrate a robust and sustained growth in global palm oil output, escalating from approximately 4.5 million metric tons to over 65 million metric tons. This growth trajectory mirrors the accelerating demand and reflects the expanding role of palm oil not only as a key food ingredient but also as a strategic input in renewable energy sectors. The increasing interest in alternative energy sources—particularly biodiesel derived from vegetable oils—has positioned palm oil as a crucial feedstock due to its superior productivity and cost-effectiveness. Empirical data provided by Oil World (2007) reveal that oil palm yields an average of 3.72 metric tons of oil per hectare, which is substantially higher compared to soybean oil at 0.40 tons/hectare and rapeseed oil at 0.72 tons/hectare as shown in Figure 2 below. As further emphasized by Shimizu & Desrochers (2012), this implies that oil palm plantations are capable of producing approximately ten times more oil

per hectare than soybean and five times more than rapeseed, highlighting its agronomic superiority and relevance in addressing global oil demand efficiently and sustainably.

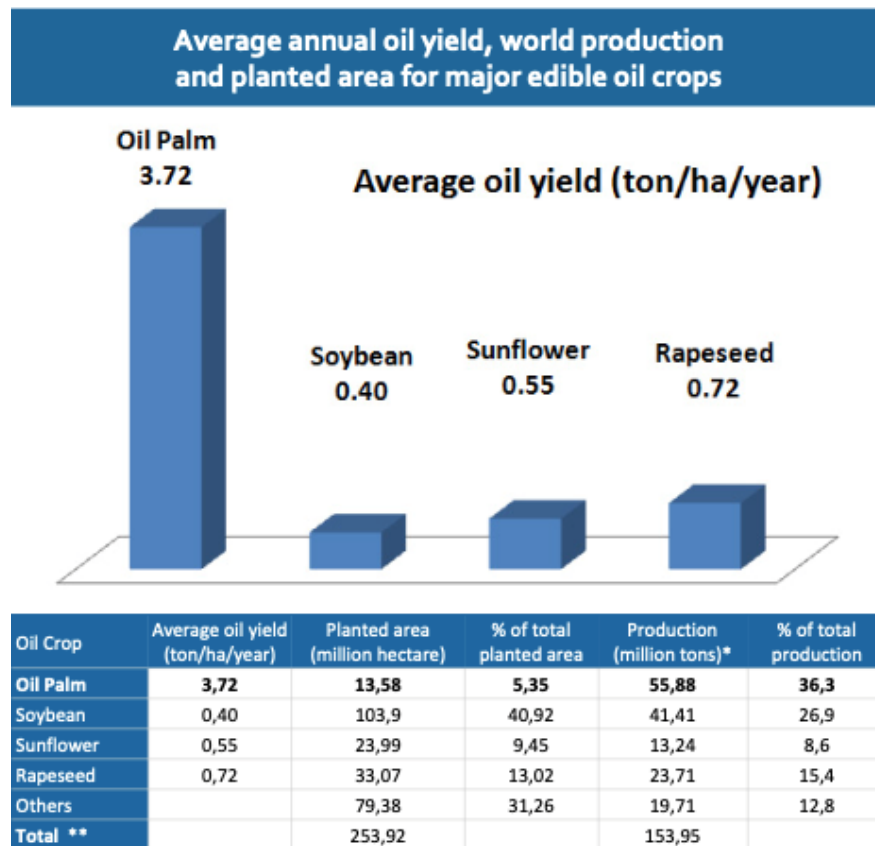


Figure 2. Average annual oil yields, world products and planted areas for major vegetable oils in the world

Source: Oil World (2007) in (Shimizu & Desrochers, 2012)

In the context of global land use efficiency for vegetable oil production, the oil palm sector demonstrates a significantly higher yield-to-land ratio. Although occupying merely 7% of the total agricultural land dedicated to vegetable oil crops, palm oil accounts for approximately 34% of the global vegetable oil output. In contrast, soybean cultivation utilizes 43% of such land while contributing only 24% to global production (Asian Agri, 2018). From an input-efficiency perspective, palm oil production is notably superior; it requires only 4 kg of fertilizer and approximately 0.5 GJ of energy per ton of oil produced, whereas soybean oil production demands 315 kg of fertilizer and 2.9 GJ of energy per ton. Other oil crops may require up to tenfold more land to yield an equivalent volume of oil (Asian Agri, 2018), underscoring the minimal resource input and high output efficiency of oil palm cultivation. Economically, this efficiency translates into a significantly lower production cost. On average, palm oil is priced 10% to 30% lower than soybean and rapeseed oils (Shimizu & Desrochers, 2012), rendering it the most cost-effective vegetable oil globally. This price advantage facilitates its extensive application across multiple industrial sectors (RSPO, 2019).

In terms of water-use efficiency, palm oil production also demonstrates a superior profile, requiring only 85 cubic meters of water to generate 100 kilojoules of energy. This is markedly lower compared to rapeseed (184 m³), soybean (100 m³), and sunflower (87 m³) (Oegroseno, 2018). Furthermore, the oil palm's relatively long productive lifespan – ranging from 20 to 25 years – combined with its resilience to environmental fluctuations and its comparatively stable yield, presents a notable advantage over other oil crops, which are more susceptible to climatic disturbances such as droughts, floods, and extreme weather events (Tandra et al., 2022). Advancements in processing technologies have further enhanced the affordability, quality, and adaptability of palm oil supply. Taken together, the high productivity, competitive pricing, and multifaceted utility of palm oil substantiate its dominance in the global vegetable oil market (Shimizu & Desrochers, 2012).

Implementation of Indonesian CPO Trade Barriers by the European Union

The Renewable Energy Directive (RED), established by the European Union (Gurreck, 2025; Krug et al., 2023), constitutes a foundational policy framework for advancing the use of renewable energy sources within the European Union (Krug et al., 2023; Suling et al., 2023). This directive mandates legally binding targets for the adoption of renewables, aiming to reduce greenhouse gas emissions and atmospheric carbon concentrations. Among the prescribed strategies is the utilization of biofuels derived from sustainably sourced vegetable oils (Johnson et al., 2012).

Despite such advancements, in recent decades, the European Union has persistently classified palm oil as an unsustainable resource. According to the *Official Journal of the European Union* on Palm Oil and Deforestation, tropical deforestation and illicit logging – primarily driven by surging global agricultural demand – are cited as principal environmental concerns. In this context, recurrent forest fires in Indonesia, identified as the most severe in nearly two decades, have been linked to land clearing practices for oil palm cultivation. Consequently, Indonesia is often portrayed as a significant contributor to anthropogenic climate change (European Parliament, 2018).

Nonetheless, empirical data on land use requirements for various oil crops reveal that soybean, rapeseed, and sunflower cultivation necessitate larger tracts of land relative to oil palm. Despite this, comparable scrutiny or activism from European environmental non-governmental organizations (NGOs) against these alternative oil crops remains largely absent, thereby indicating an implicit bias or indirect discriminatory stance toward palm oil within the European policy discourse.

Furthermore, satellite-based observations from NASA in November 2015 indicated that 56% of fire hotspots in Indonesia occurred outside agricultural or forestry concession zones, with 33% located within industrial timber estates and only 7% within oil palm concessions. Complementary data from NOAA satellites further illustrated that, during the 2011–2015 period, Indonesia's total burned area (64,000 hectares) was significantly lower than that of the United States (2.2 million hectares), Russia (2.3 million hectares), Portugal (84,000 hectares), Spain (107,000 hectares), Australia (236,000 hectares), and the combined total of Italy and Greece (106,000 hectares). In parallel, Indonesia's annual deforestation rate declined by 30% between

2014 and 2017, from 1 million hectares to 0.47 million hectares. Moreover, the Food and Agriculture Organization (FAO) reported that Indonesia's greenhouse gas emissions from the agricultural sector represent only 3% of global emissions, in stark contrast to the European Union at 28.8%, followed by China (14%), India (13%), Brazil (9%), and the United States (8%). Despite these statistically robust findings, the European Union continues to assert that the palm oil industry significantly drives deforestation and carbon emissions, without corresponding critique or challenge from environmental NGOs (Oegroseno, 2018).

The *Official Journal of the European Union* reiterated that approximately 52% of Indonesia's 2015 wildfires occurred on carbon-dense peatlands subsequently converted into oil palm plantations (European Parliament, 2018). Paradoxically, Indonesian enterprises hold the highest number of Roundtable on Sustainable Palm Oil (RSPO) certifications globally, underscoring a substantial commitment to sustainable production practices.

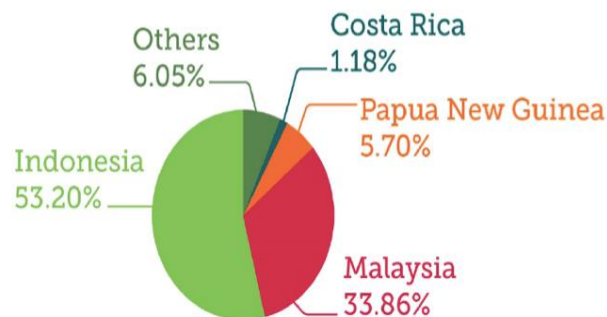


Figure 3. Global RSPO Certification for Sustainable Palm Oil

Source: RSPO (2019)

The Figure 3 shows that Indonesia has the most land that has passed RSPO certification according to global recommendations and the most widely used certification. Furthermore, in terms of responding to regulations on sustainable palm oil, Indonesia also issued ISPO (Indonesian Sustainable Palm Oil) certification, which is basically mandatory, while RSPO is voluntary (Kementerian Pertanian RI, 2015). In relation to peatlands, the Indonesian Government has issued regulations in the form of Government Regulation Number 71 of 2014 concerning Protection and Management of Peat Ecosystems which specifically explains the SOP for the protection and management of peatlands. This includes regulating the height of groundwater (water level) between 60-80cm to inhibit carbon emissions in peatlands, and the Indonesian government applies administrative sanctions consisting of written warnings, government coercion, freezing of environmental permits to revocation of environmental permits, by local officials. The government's coercion includes temporary cessation of activities, relocation of activity facilities, closure of drainage channels, demolition, confiscation of goods or equipment that have the potential to cause violations, temporary cessation of all activities and/or other actions aimed at stopping violations and actions to restore respected environment (Kementerian Sekretariat Negara RI, 2014).

Wetland International in Oegroseno, 2018 stated that of the 381 million hectares of global peat, Russian peat is 137.5 million ha, in Europe 29 million ha, 22 million ha in the US, and in

Indonesia 18.5 million ha. And that 55.37% and 33% of peatlands in the US, Russia and Europe are agricultural land. While Indonesia is only 13%. However, this is also not a criticism from environmental NGOs why the European Union is still developing and farming on peatlands (Oegroseno, 2018). Regarding the efficiency of fertilizer use and energy sources needed by oil palm to produce less palm oil compared to soybean oil, this overall shows that the greenhouse gas savings ratio mentioned by the European Union indirectly degrades oil palm, because the data shows that oil palm plantations achieve much higher yields per hectare than other oil crops such as rapeseed. Therefore, in terms of yield, palm oil is much more efficient and sustainable than the oil crops that are heavily supported and developed by the European Union. The net energy extracted from palm oil is also much higher than the energy obtained from European rapeseed in every economic and ecological dimension (Pehnelt & Vietze, 2010).

In contrast to oil palm plantations, energy crop cultivation in Europe has involved further intensification of modern agricultural practices such as the switch from spring to winter crops, the removal of marginal hedgerows. These practices have led to a dramatic decline in many species that depend on traditional cropping practices. Conventional soil cultivation (i.e. ploughing, tilling, etc.) Crops such as rapeseed and soya have destroyed the diversity of soil organisms, such as earthworms. Of course, these organisms are not as visible as orangutans and Sumatran tigers, but they are also ecologically useful and worthy of protection. In other words, European countries have come a long way and used natural resources in an intense and often destructive way to develop a highly sophisticated and efficient industrial structure. This process has taken several hundred years and has led to biodiversity loss and land conversion (Pehnelt & Vietze, 2010).

Without any government restrictions and subsidies for biodiesel production, palm oil is by far the most competitive and used oil, this is because the price of rapeseed oil is relatively higher. High support and subsidies are facilitated by countries in the European Union where domestic rapeseed oil is the main raw material in biofuel production. It should be emphasized that, without public and government support, rapeseed oil-based biodiesel is not competitive, even in the long term. So in this case the real form is the existence of various policy efforts that ultimately seek to reduce palm oil imports to the European Union Region (Pehnelt & Vietze, 2010).

The European Union, which is trying to protect the environment, one of which is by minimizing the effects of greenhouse gases and carbon in the air by developing a policy on the use of biofuels as one of the environmentally friendly green fuels and its efforts to reduce dependence on world oil and fossil imports. It should be noted that the source of raw materials for biofuels does not only come from palm oil, but also from other vegetable oils, such as rapeseed, sunflower and soybean oils which are planted massively over 11.5 million hectares in the European Union region. In developing biofuels based on vegetable plants which are widely developed in the European Union region, subsidies of 59 billion euros or almost 1000 trillion rupiah are also given.

With the expansion of CPO products which tend to be more economical compared to other vegetable oils, this is what many farmers in the European Union region complain about, this is in

line with the theory put forward by Frieden & Lake (1994) which states that one of the reasons behind the implementation of trade protection is for the sake of Protections of Jobs-Public Choice, which comes from external pressures caused by the import faced by domestic industries, which impacts on the decreasing of national workforce in form of the outward movement of productive resources to other countries. It is known that 25 of the 45 members of the European Parliament's agriculture committee are farmers, former farmers, or have businesses related to agriculture. Thus, their lobbying to pass regulations regarding restrictions on CPO imports are getting stronger. Their ties to the agricultural sector, where the Media reported that a number of members of the European Parliament received funds of up to 5000 pounds or around 93 million per month from the agricultural business. Secretary General of ePURE, Emanuelle Desplechin, an ethanol producer in the European Union stated that the European Union must stop promoting the use of palm oil and its derivatives (Oegroseno, 2018).

All the data above shows that basically the anti-palm oil ideology that is widely developing in the European Union Region is essentially derived from business competition or in theory is an effort by the government to change the terms of competition by supporting domestic companies rather than foreign companies (strategic trade policy). Farmers and the vegetable oil industry operating in the European Union region want to fully control the vegetable oil market in the European Union, and this is directly realized by the European Union Government, where the Delegated Act was issued in 2019, which began to eliminate palm oil imports starting in 2023 and zero in 2030 (Oegroseno, 2018).

Rapeseed, soybean, and sunflower oils in reality have not been able to surpass the superiority of palm oil, so the government step to protect infant industries is needed. Infant industries in the country usually could not reach its comparative advantage due to limited costs. It is also followed by a positive trend towards palm oil production. It can be said that palm oil, which has become a major global vegetable oil industry, while on the other hand rapeseed, soybean and sunflower oils do not yet have strong enough market coverage to compete in the international market, so the role of the government is needed to overcome this issue (Oegroseno, 2018).

In addition, policies related to renewable energy sources are in the interests of energy supply security, namely ensuring the security of future energy supplies or in the interests of National Defense in the theory put forward by Frieden & Lake, 1994 which states that import barriers are needed to ensure that the capacity to produce important goods in a national emergency, in this case the analogy is the dwindling world oil supply and followed by high world oil prices which are a concern for the European Union which then becomes an important reason for the European Union to develop this policy.

CONCLUSION

The findings of this study indicate that the European Union's Renewable Energy Directive (RED) policy, particularly RED II, has served as a non-tariff trade barrier that significantly impacts the export performance of Indonesian Crude Palm Oil (CPO). The implementation of sustainability criteria, indirect land use change (ILUC) risks, and the gradual restriction on palm oil usage have led to a decline in demand from EU member states. This condition has suppressed Indonesia's

CPO trade, despite the fact that palm oil remains one of the most efficient and productive vegetable oils globally in terms of yield, land use, cost, and energy consumption. The EU's commitment to sustainable development and reducing greenhouse gas emissions, although well-intentioned, has indirectly marginalized Indonesian palm oil due to its perceived environmental impact.

In light of these findings, it is recommended that the Indonesian government strengthen its diplomatic and trade negotiation efforts with the European Union to seek fair and science-based evaluations of palm oil sustainability. Enhancing the credibility and transparency of Indonesia's sustainable palm oil certification (such as ISPO), aligning with international standards, and promoting the advantages of palm oil productivity and efficiency are also essential. Moreover, Indonesia should diversify its palm oil export markets and encourage investment in sustainable innovation and downstream palm oil industries to reduce dependency on traditional export destinations like the EU.

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