

# CHAPTER I

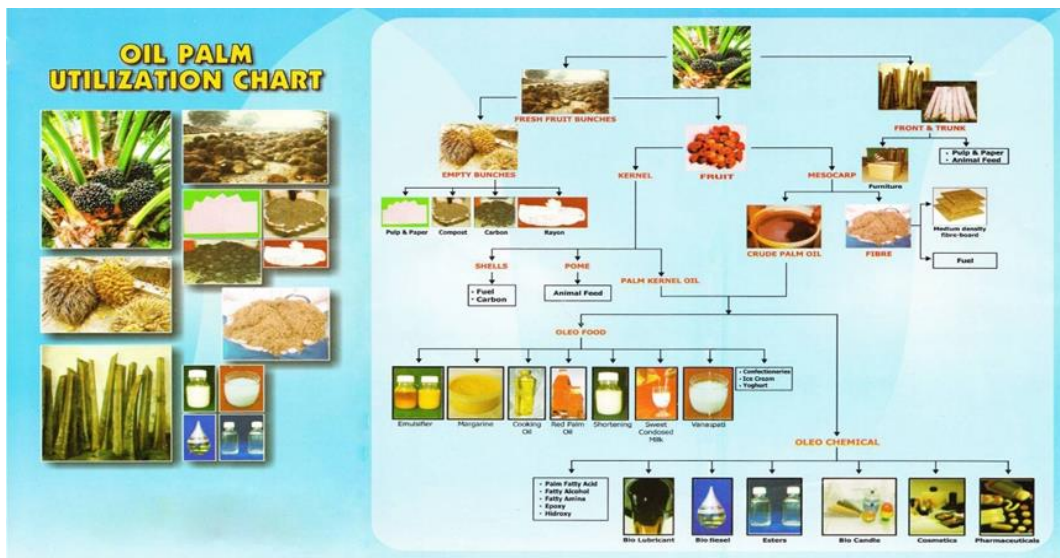
## INTRODUCTION

Vegetable oil is a form of oil derived from the extraction of different plant parts through a processing procedure that involves extracting the extract using a particular technology. In our globe, there are various forms of vegetable oil, one of them is palm oil. Palm oil, also known as *Elaeis guineensis* in Latin, is a type of vegetable oil obtained from the fruit of the palm. This is a form of vegetable oil that can be ingested. Palm oil is classified into two types: crude palm oil, which is generated by pressing palm fruit, and palm kernel oil, which is created by crushing palm kernels or seeds (Andriani, 2023).

### 1.1 BACKGROUND

Palm oil is the most adaptable and efficient vegetable oil in the world, with higher yields per hectare than other types of vegetable oil crops (while also requiring the least fertilizer and pesticides). In the previous ten years, the usage or consumption of palm oil has increased by an average of 8%-9% every year on the global market. This growth rate is projected to continue in the future, and it may even increase in step with the trend of using alternative fuels based on vegetable oils or biofuels such as biodiesel. The rise in global population and the expanding tendency of using oleochemical base materials in the food, shortening, and pharmaceutical (cosmetic) industries fueled the rise in palm oil utilization. This trend is rising since products made from palm oil are more competitive than vegetable oils made from other raw materials. This high output corresponds to the growing worldwide population and the high demand for vegetable oils. The growing share of world palm oil in vegetable oil consumption demonstrates the importance of the palm oil plantation business in the global economy (KEMENPERIN RI, 2007).

Picture 1 : Palm Oil And Its Derivative Products



Source : <https://shorturl.at/YpTHT>

According to Oil World data, the use of palm oil-based commodities in the worldwide market continues to rise, outpacing other vegetable oil-based businesses such as wheat germ oil, maize oil, and coconut oil. Palm oils is a significant industrial plant, and this product plays a critical and strategic function. There are various reasons why Palm Oil is significant, including:

1. Palm oil is the primary raw material for cooking oil, a steady supply helps to keep the price of cooking oil stable. As a result, cooking oil is one of the nine fundamental needs of society, the price of which must be affordable to the entire community;
2. Palm oil is a mainstay agricultural commodity for non-oil and gas exports, and it has promising possibilities as a source of processing foreign exchange and taxes;
3. It is also capable of creating job opportunities and improving community welfare in the production and processing of palm oil.

The current data supports these claims by demonstrating that palm oil is a prominent non-oil and gas export commodity (I. Setiawan et al., 2020).

Indonesia is an agrarian country whose agriculture sector drives its development. Plantation is one of the agricultural sub-sectors. Indonesia and Malaysia are the two ASEAN countries with the biggest palm oil production; These two

countries have always contended in palm oil production. In 2006, Indonesian CPO production managed to compete with neighboring Malaysia (CNN Indonesia, 2022). Indonesia has held the title of the world's largest producer of CPO up to this point. According to data from the Central Statistics Agency (BPS), CPO output in 2021 is projected to reach 46.2 million tons, while Malaysia's CPO production currently stands at 18 million tons. The reason for this is that Malaysia is still in charge of determining the rise and fall of global CPO prices via the Bursa Malaysia Derivatives (BMD). Not without reason, the significance of BMD in deciding global palm oil prices makes sense given that the neighboring country was formerly the world's largest CPO-producing country before Indonesia ultimately surpassed Malaysia's long-held lead (Aflaha, 2022).

As the two ASEAN countries that produce the most palm oil, Indonesia and Malaysia rely on the CPO as one of their country's revenues, and CPO is not consumed and utilized purely for their country. They are also trying to maximize the income from the CPO, one of which is by exporting the CPO. Indonesia and Malaysia have experienced many ups and downs and the dynamics of the international palm oil market, and from year to year there will always be changes that have both positive and negative impacts on Indonesia and Malaysia. In April 2017, the European Union Parliament approved a resolution about palm oil and rainforest deforestation. The main objective of this resolution is to ban the importation of palm oil and its derivative products into the EU by 2020 unless they meet the criteria for sustainable development. The resolution further requests that palm oil not be used as a basic ingredient in the EU biodiesel program in 2020 (V. N. Setiawan, 2023). This caused the European Union to prohibit CPO exports to the European Union, this resolution give effects to Indonesia and Malaysia given that they are the largest CPO-producing countries, another reason is mainly since one of the export destinations of both countries is the European Union. In this paper, the author will see how Indonesia and Malaysia, as the countries with large CPO production, respond to this matter from 2017 until 2023.

## **1.2 RESEARCH QUESTIONS**

Based on the background, the formulation of the problem that the author will discuss in this study is “How did Indonesia and Malaysia respond to the European Union crude palm oil export ban in 2017–2023?”

## **1.3 THEORETICAL FRAMEWORK**

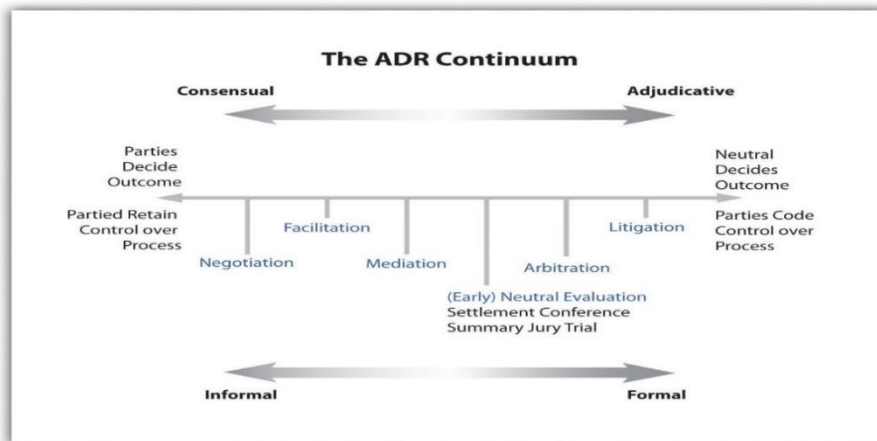
### **1.3.1 ALTERNATIVE DISPUTE RESOLUTION**

According to John G. Merrills, conflicts arise from a difference in interpretation of a situation or an item, followed by a claim by one side and a rejection by the other. Meanwhile, as quoted from the New York State Unified System, alternative dispute resolution (ADR) refers to the various ways a person/group can resolve disputes without going to court. Common ADR processes include mediation, arbitration, and neutral evaluation. As a result, international disputes are those that do not only involve states but also have international ramifications. The issue that arises is what can be utilized as a point of contention. According to John G. Merrills, disagreements might range from state policy to border difficulties. Dispute resolution is categorized into two categories: peaceful and forcible/violent.

Peaceful dispute resolution is feasible when the parties agree to find an agreeable settlement. Arbitration, judicial settlement, negotiation, merits, mediation, conciliation, investigation/fact-finding, and UN-sponsored resolution are all examples of peaceful settlement processes. Forcible/violent settlement include war, retortion, retaliatory measures, peaceful blockade, and intervention (Gede & Mangku, 2012).

It may be concluded that there are numerous international dispute resolution procedures accessible for use by each country or country that is involved in a disagreement or conflict with another country. Each disputing country has the right to choose which international dispute resolution method will be employed, and this is all subject to each country's agreement. Third countries or other countries that are not involved in the dispute are not permitted to intervene in the resolution of a country's conflicts unless the country in dispute begs aid from other countries.

Picture 2 : Alternative Dispute Resolution Scheme



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Alternative dispute resolutions have several stages/ processes. The processes in alternative dispute resolutions also have a different sequence of stages/processes according to the country/institution that uses them. In general, the processes in alternative dispute resolutions are:

### 1. Negotiation

Negotiation is a method used by conflicting parties to reach an agreement without the intervention of a third party acting as a mediator, and therefore, there is no established procedure that must be followed. The rules and mechanisms for resolving the issue are determined by the parties involved, and the resolution process is entirely under their control. This negotiation is defined informal.

### 2. Facilitation

Facilitation, as a method of resolving disputes, involves the involvement of a neutral third person who guides the process and encourages active engagement from the group. This neutral third party is known as a facilitator. Facilitators are professionals who specialize in resolving disputes. They help by introducing a systematic approach and a process of learning to the encounters, enabling them to progress towards a settlement.

### 3. Mediation

Mediation is a process of resolving disputes with the assistance of a neutral and impartial third party, known as a mediator. The mediator acts as a passive

middleman, offering help in the form of alternative dispute resolution as defined by the disputing parties themselves. The mediator's role is not to render a decision on the issue, but rather to facilitate communication between the parties involved, enabling them to attempt to resolve the conflict independently.

#### **4. Neutral Evaluation**

A neutral evaluation in alternative dispute resolution involves a neutral individual who offers competence in the relevant field. This person listens to concise arguments, assesses the merits and drawbacks of each party's case, and provides an evaluation of potential court rulings. The purpose of this evaluation is to facilitate the conclusion of the dispute by settlement. The neutral evaluator may also offer case planning guidance and settlement assistance, subject to the agreement of all parties involved.

#### **5. Arbitration**

Arbitration and court-mediated dispute resolution share comparable attributes. In arbitration, disagreements are resolved by a tribunal of arbitrators or an arbitrator, and the decision of the arbitrator is conclusive and enforceable. Nevertheless, enforcement of an arbitral decision is contingent upon its registration with the District Court. The parties who sign a legally binding arbitration agreement consent to the arbitrator's final decision, and an attempt to challenge it is typically not permissible. If they do not accept the arbitrator's decision, the parties may request an extra session in non-binding arbitration (NYCOURT.GOV, 2017).

#### **6. Litigation**

Litigation is commonly understood as the procedure of settling issues related to rights through the judicial system. This includes initiating a lawsuit, presenting legal arguments, engaging in a formal exchange of information during the discovery phase, conducting a trial in the courtroom, and maybe appealing the decision. Litigation also includes administrative or regulatory procedures for establishing legal entitlements and settling conflicts.

By using this theory, we will see what processes have been used or passed by Indonesia and Malaysia to overcome the dispute with the European Union, and what steps have been taken or will be taken by the two countries in handling the problem,

and whether the two countries also carry out the process of alternative dispute resolution (ADR).

### **1.3.2 INTERNASIONAL COOPERATION**

Doughrety James and Pgalzgraff proposed the concept of international cooperation in their book *Contending Theories of International Relations*, which:

"International cooperation develops because international life encompasses a wide range of issues, including ideology, politics, economics, socio-culture, the environment, and defense and security. These diverse concerns have prompted countries around the world to develop a worldwide collaboration."

Today, international collaboration appears to be required as a result of the presumption that each country will be unable to exist alone and meet its own national needs. As a result, cooperation with other countries is required, so that a country's demands, which cannot be addressed alone, can benefit both directly and indirectly from the development of this cooperation (Era Riana, 2016).

Meanwhile, K.J Holsti describes the process of international cooperation as follows:

1. The belief that two or more interests, values, or goals converge and can lead to something that is promoted or fulfilled by all parties at the same time.
2. A state's belief or anticipation that another state's policy decisions will help it attain its goals and objectives.
3. The agreement or issuance of such issues by two or more governments to capitalize on shared or conflicting interests.
4. Official or unofficial rules governing future transactions performed to carry out an agreement.
5. Transactions between nations to carry out their commitments.

Cooperation can take place among nations, among institutions, or among individuals. Collaboration has become an essential requirement as a result of the interconnectedness and growing intricacy within the global society. Collaboration can be employed to address several matters like economy, security, ecology, and other areas. The actors involved in international collaboration encompass a diverse range of

entities, including states, non-governmental organizations, individuals, and businesses. In the field of international relations, the state is the primary entity that drives actions and collaborations. Consequently, the state is motivated to shape its foreign policy in a manner that aligns with its national interests, aiming to realize them. International collaboration is achievable due to shared fundamental interests and the idea of mutual benefit. International cooperation can be categorized into three distinct forms:

**1. Bilateral Cooperation**

Bilateral cooperation refers to the collaborative efforts and agreements between two governments, specifically aimed at regulating the interests of both parties involved. Only two countries are responsible for regulating the interests of both parties.

**2. Regional Cooperation**

Regional cooperation refers to the collaborative efforts between multiple governments within a certain geographic region.

**3. Multilateral Cooperation**

International agreements or cooperation made by countries that are not located inside a specific geographical area.

By using this theory, we will see whether Indonesia and Malaysia, as countries that have disputes with the European Union and feel disadvantaged by the European Union's policies, experience the same fate. then how Indonesia and Malaysia conduct international cooperation, both with each other and with other countries. Through this theory, we will also see what kind of international cooperation is chosen by Indonesia and Malaysia and how this cooperation has an influence or impact on Indonesia and Malaysia.

**1.4 HYPOTHESIS**

Based on the issue of the palm oil export ban from the European Union, the hypothesis regarding the response from Indonesia and Malaysia is:

1. Indonesia and Malaysia recognized the importance of their export market to the European Union and worked together to fix the problem.



## **1.5 RESEARCH PURPOSE**

The purpose of this study are:

1. To learn about European Union policies regarding the reduction of palm oil usage and the prohibition of palm oil exports to the European Union, including resolutions on palm oil and rainforest deforestation, as well as the RED II Policy.
2. To find out about the respons from Indonesia regarding those policies;
3. To find out about the respons from Malaysia regarding those policies;
4. To find out about the impacts and losses of this policy on Indonesia and Malaysia.

## **1.6 METHODOLOGY**

This research uses a qualitative method; in this research, the author collects and obtains data from the internet by reading sources from articles, journals, and news reports. The author conducted online research and consulted scholarly papers and articles that examined European Union policy about the reduction of palm oil consumption and the prohibition of palm oil exports to the European Union. The author conducted online research on palm oil production in Indonesia and Malaysia, as well as European Union policies and resolutions pertaining to issues surrounding Crude Palm Oil (CPO). Additionally, the author explored the responses of Indonesia and Malaysia, the largest palm oil exporting countries to the European Union, to these policies.

## **1.7 SCOPE OF RESEARCH**

In conducting this research, the author limited the scope of its discussion on the issue of the European Union CPO export ban. For the time, the author limited it from the year 2017 until 2023. The author will examine how indonesia and Malaysia give response to European Union CPO export ban 2017 – 2023. Indonesia and Malaysia must feel the impact of the issue considering that they are two countries that also produce a fairly large amount of palm oil. Moreover, the European Union is one

of the export destinations of the two countries. So, it can also be concluded that this issue has an influence and impact on Indonesia and Malaysia.

## **1.8 WRITING STRUCTURE**

### **CHAPTER I**

In this chapter, the author will give a brief explanation of what palm oil is, the position of palm oil in the international market and how this is important for Indonesia and Malaysia.

### **CHAPTER II**

In Chapter II, the author will go into more detail about Indonesia and Malaysia's palm oil. How are the growth and dynamics of palm oil in the international world, also in Indonesia and Malaysia, including the study case of the European Union CPO export ban in the period of 2017 – 2023 and how it is having an impact on Indonesia and Malaysia also how both countries give response and taking care of the issue.

### **CHAPTER III**

In the last chapter, the author concludes the study of how Indonesia and Malaysia respond to the European Union CPO export ban 2017 – 2023.