

CHAPTER I

INTRODUCTION

A. Background

Indonesia and Malaysia are the largest palm oil producing countries in the world, around 85.22 percent of world needs in palm oil fulfilled by both, with percentages 53.1 percent by Indonesia and 35.9 percent by Malaysia. In 2016, Indonesia was nominated as the world's largest palm oil exporter followed by Malaysia in second position (Gunawan, 2018). Therefore, palm oil commodities have mastered and able to compete with other vegetable oil such as Rapeseed oil (RSO), Sunflower oil (SFO) and Soybean oil.

Palm oil is a native of the African countries but it is currently widespread in the Southeast Asia Region. Indonesia is the best land in Southeast Asia for palm oil to grow because this country is categorized as tropical country which contain of high soil fertility. Palm oil was originally brought by Dutch East Indies government in 1848 and first planted in 1884 at the Bogor Botanical Gardens by Johannes Elyas Teymann as the Director at that time.

Then in 1911, the first oil palm plantations in Indonesia were built located in the Upper Hulu region of North Sumatra (Kementerian Perdagangan Indonesia, 2011). Due to the development of palm oil plant in Indonesia, this commodity is increasingly in demand as plantation crops because it has high economic prospect. Bright prospects for palm oil commodities in the world trade in vegetable oils prompted the Indonesian government to develop oil palm plantations. In 1919, Indonesia began exporting palm oil to

fulfil the needs of the world's vegetable oils, and today Indonesia is the world's first largest palm oil exporting country with 53 percent of the world's palm oil reserves (Direktorat Jendral Perkebunan, 2014).

The area of Indonesian palm oil plantations currently reaches 12 million hectares. Sumatera, Kalimantan and Sulawesi are the largest area of palm oil plantations. With the total area plantations, Indonesia is able to produce as much as 140, 6 million tons and fulfill the world needs of vegetable oil reach 1,7 million tons per year (Masykur, 2013).

Malaysia is the second largest palm oil producing country. In 1875, British introduced this plant to Malaya. Then in 1917, Malaysia built their first palm oil plantation called Tennamaran Estate in the Peninsular region (Hai T. C., 2002). In the beginning 1960, Malaysia only had 55,000 hectares palm oil plantation area, but in 1970, it was increased to 261,000 hectares and from 2010 the total area of palm oil plantation reached 3,8 million hectares spreading across Peninsular and East Malaysia (Abdullah & Wahid, 2011). Palm oil in Malaysia was spread into two areas, Peninsular Malaysia (55 percent) and East Malaysia such as Sabah and Sarawak (45 percent).

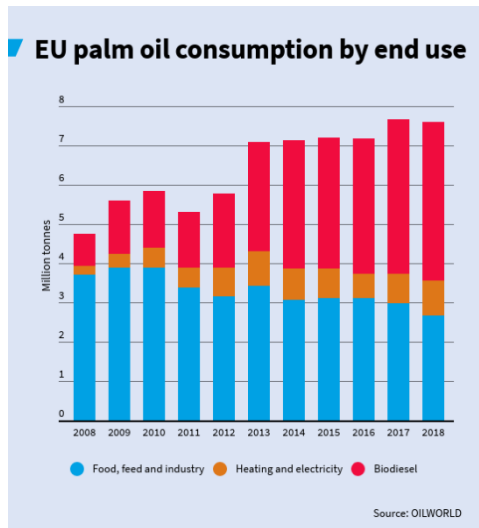


Figure 1 EU Palm Oil Consumption by end use
Sources : <https://www.transportenvironment.org>

The market for palm oil products from both countries are India, European Union, China, Africa, etc. The European Union is one of a promoting market for palm oil products because the EU needs 6 million tons of palm oil annually.

Figure 1 shows since 2008 until 2018, the EU palm oil consumption had increased. The palm oil is mostly used as food, feed and industry, biofuel, heating and electricity. Since 2012, Indonesia already fulfilled 3, 7 million tons of the EU needs and 51,981 tons by Malaysia (Sally, Sengketa Minyak Sawit Antara Indonesia dan Uni Eropa, 2016). The increasing needs of palm oil make the EU must impose strict rules against palm oil producers, which is not its member states. Therefore, in 2005 the EU started the EU Emission Trading Scheme (EU-ETS) program, which was a policy to

support the use of products of countries that have low-carbon industrial sectors (Sally, 2016).

Then in April 2009, the EU also made a Renewable Energy Directive (RED), which was a policy to promote energy from renewable sources in the European Union (Khairunisa & Novianti, 2017).

Indonesia sees the policy that implemented by the EU on palm oil products is one of discriminatory efforts. Therefore, the implementation of the policy gives more disadvantages for palm oil products and its producing countries. Therefore, to fight against discrimination from the EU for Indonesian palm oil products, the state to stop the discrimination has cooperated with Malaysia.

Malaysia, as the second largest country, exporting palm oil, also suffered many losses against the EU decision. So it is essential for the two countries to collaborate in the face of a "war" that is intensified by the EU. Based on the explanation above, it is essential for Indonesia and Malaysia to restore the image of their palm oil products internationally and prove that these issues are only EU discrimination efforts on their superior products.

Some previous journals, such as *Indonesian Motive to Cooperate with Malaysia in Forming the Council of Palm Oil Producing Countries (CPOPC) in 2015* by (Gunawan, 2018), *Behind Sustainability of Palm Oil: Actors, Alliance In the Political Economy of EU Certification* by (Erman, 2017) and *Palm Oil Dispute Between Indonesia and the European Union* by (Sally, 2016) only explains the Indonesia and Malaysia interests on the palm oil issues. Therefore, this thesis will focus on the important for both countries to cooperation by considering the mutual interests.

B. Research Question

According to the explanation on the background above, the research question presented by the author is: **“Why Does Indonesia need to cooperate with Malaysia to fight against palm oil discrimination?”**

C. Theoretical Framework

In order to understand the importance of Indonesia cooperating with Malaysia to fight against palm oil discrimination carried out by the European Union, this paper will be based on theories and concepts in international relations. The author used the theory of international cooperation and the concept of national interest. The above theories and concepts are considered very suitable to explain the problems in this paper.

1. International Cooperation Theory

The main focus of international relations is the establishment of cooperation among countries in the world. Seeing the increasing relations between countries, it would be very appropriate to use the theory of international cooperation in this paper. All countries cannot stand alone in meeting domestic needs, especially to improve the development and progress of their countries. Therefore, cooperation with other countries is needed because there is a dependency based on the needs of each country.

The development of international relations is characterized by the occurrence of international cooperation in various fields such as politics, economics, social culture and security. With a series of international cooperation between countries, countries in the world have increasingly strengthened

the position of global interdependence in an effort to improve the welfare of a nation based on the principle of mutual trust and respect.

The definition of international cooperation refers to Robert Keohane's opinion which says that an international cooperation is created because "Actors adjust their behavior to the actual or anticipated preferences of others (Alexrod & Keohane, 1985)". Therefore, international cooperation creates interaction between countries in order to achieve common goals provided that there is no identical or irreconcilable perversion. Interaction between countries is not only limited to the government, but also covers individuals, groups and transnational. Therefore, the framework of international cooperation refers to the policy-making process outside the nation-state but is used in harmony with global governments. So that in any international cooperation covering regional, global and multilateral scale (Paulo, 2014).

In addition, Dougherty & Pfaltzgraff argue that international cooperation is a series of relation that are not based on violence or coercion, but legally endorsed. Actors in international cooperation build their relation through an international organization and international regime which is applied as a set of agreed rules, norm regulations and decision-making procedures (Dougherty & Pfaltzgraff, 1997).

Each country has their national interests in conducting international cooperation. There are several reasons for countries to cooperate with other countries, including:

- 1) To improve economic welfare through cooperation in the economic field such as exports and imports
- 2) To improve state efficiency related to cost reduction

- 3) The emergence of problems that threaten mutual security
- 4) In order to reduce the negative losses caused by actions of individual or countries that harm other countries

In addition, Robert Keohane and Joseph Nye argued that relations between countries were characterized by Complex Interdependence. When the degree of interdependence is high, countries will form international institutions to face common problems. This institution will provide international cross-border information for a small fee. This institution can be a formal international organization or a series of semi-formal agreements based on mutual interests (Jackson & Sorensen, 2005).

The main aim of a country to carry out international cooperation is to fulfill its national interests which cannot be achieved by its own government. Therefore, the state needs to fight for its national interests abroad by collaborating to bring together national interests between nations. International cooperation carried out at least must have two main conditions, the first is the existence of the obligation to respect the national interests of each member involved. Second, there is a joint decision to overcome any problems that arise. In accordance with its objectives, international cooperation occurs to accelerate the process of improving welfare and solving problems between two or more of these countries (Dam & Riswandi, 1995).

There are two types of international cooperation, namely bilateral cooperation and multilateral cooperation. Bilateral cooperation is

cooperation carried out between one country and a certain country. Bilateral cooperation will involve bilateral agreements, namely agreements made or entered into by two countries that regulate matters that concern the interests of both countries only (Roestandi & Ardian, 1986). Whereas multilateral cooperation is cooperation between two or more countries which are not limited by region and internationally.

In multilateral cooperation there are multilateral agreements among member states that will regulate public interests including those of non-member states. So it can be concluded that multilateral cooperation carried out by many countries to establish cooperative relations in the form of organizations. Multilateral cooperation will be more suitable in this paper in order to be the basis of cooperation between Indonesia and Malaysia in dealing with palm oil discrimination (Y, Tamtomo, & etc., 2008).

John Ruggie defines multilateral as an institutional form that regulates relations between three or more countries based on general principles expressed in various forms of institutions including international organizations, international regimes, and international actors (Dougherty & Pfaltzgraff, 1997). Through multilateral explains that several factors drive the concept of international cooperation:

- 1) Progress in the field of technology that leads to increased natural relations between countries to increase the dependence of one another
- 2) Economic progress and developments that affect the welfare of the nation and state.

- 3) Changes like a war where there is a shared desire to protect and defend each other in the form of international cooperation
- 4) There are awareness and desire to negotiate; one of them is the method of international cooperation, which is based on the basis that negotiations will facilitate the resolution of problems faced. (Kartasmita, 1997)

To create international cooperation, there are several ways that can be done by the state. First, tacit and occur, this method is carried out without prior communication or agreement. Second, negotiation, a clear negotiation between actors at the beginning of the process is a type that is often carried out by countries in conducting cooperation. Third, imposed, stronger actors can force other actors to approve policies or cooperation (Milner, 1992).

Beside that, international cooperation is divided into two categories based on substance. The first is lawmaking treaties, namely an international agreement containing legal rules that can be universally applicable to members of the community of nations; thus it is categorized as international agreements that function as direct sources of international law (Mantaamadja, 1967).

Second are the treaty contracts, international agreements that are classified in this category containing provisions that regulate relations or special issues between the parties who hold them so that they only apply to the agreement participant. Therefore international treaties classified as treaty contracts do not directly become sources of international law.

2. The Concept of National Interest

As described above, the main objective of the state to carry out international cooperation is to fulfill its national interests. The inability of a country to fulfill its national interest encourages the country to look for external factors in the form of assistance from other countries. In the national interest, the state is an important actor who acts as the decision maker and representative of the country in international relations that influences the society in the country.

According to Thomas Hobbes, the state is seen as a protector of the population, territory, and a typical and valuable way of life. It is based on the fact that the country is essential for the lives of its citizens. Without a country that can guarantee tools, security conditions, and improve welfare, people's lives must be limited. The space of movement possessed by a nation becomes the control of a country (Jackson & Sorensen, 2005).

National interests is created from the needs of a country. This interest is based on the internal conditions of the country, such as political-economic, military, and socio-cultural conditions. National interests is also based on a 'power' that wants to be created so that the state can have a direct impact on the state's consideration for world recognition. Thus, national interests is conceptually used to explain the different political behavior of a country. Kindleberger explains about national interests;

“... Relations between countries are created because of differences in the advantages possessed by each country in production. This advantage opens opportunities for the state to support national development based on national interests ...” (Kindlerberger, 1929)

The above definition explains that the diversity of each country in the world has different capacities. They are influenced by various factors such as character, culture, demography, and even the history of the country. Therefore, anyone who can cooperate based on existing conditions. The implementations of national interests which can be in the form of bilateral or multilateral cooperation, all of these are the decisions of the country.

The existence of national interests illustrates that there are aspects that become the identity of the country. It can be seen from the extent of the country's focus on meeting its achievement targets for the survival of its people. The national interest of a country depends on the government system it has, the countries that are partners in diplomatic relations, to the history that makes the country become what it is today, as well as the political tradition.

In the national interests, there are fundamental differences, namely; vital national interests and non-vital or secondary national interests. Vital national interests are often associated with the survival of the country and core values that become the identity of its foreign policy whereas non-vital national interests do

not directly relate to the sustainability of the country but are fought through foreign policy (Jemadu, 2008).

In the analysis of national interests, the role of the actor, in this case, is the state, will pursue anything that can form and maintain a country's court over another country. The court is related to power through coercion or cooperation (Jemadu, 2008). The action also depends on how much power the country has. The state uses a strategy to realize its national interests, and the state must also have a value that sells so that it will be respected by it is the opponent's country. In the international sphere, cooperation is a business that is seen as an arena in demands that blast the interests of the actors based on their limitations. So, in this case, the state tries to use national interests as a component that is formulated and then struggled as 'relations.'

The creation of cooperation between Indonesia and Malaysia in dealing with palm oil discrimination is based on the national interest of each country; both countries suffer the same loss for the attitude and actions of the EU. Therefore in this thesis, the author uses the theory of international cooperation to analyze the possibility of cooperation between Indonesia and Malaysia.

D. Hypothesis

Indonesia needs to cooperate with Malaysia to fight against palm oil discrimination done by the EU with their policy such as the EU-ETS and Renewable Energy

Directive (RED) because; 1) both have same national interests in political-economic conditions, therefore both countries have suffered the most considerable losses from implementing the policy. 2) Also in order to reduce the negative losses caused by actions of individual or group, both countries need to cooperate each other to fight against the policy because the policy is suspected as a black campaign from the EU.

E. Methods Of Research

1) Tool of Analysis

Based on the object of analysis, the tool of analysis of this study is international cooperation regarding relations and agreement between Indonesia and Malaysia.

2) The Technique of Collecting Data

In the preparation of this thesis, the collecting data technique used by the author is the library research. With this technique, the author hopes to find data or facts that are relevant to the problem under the research. The library research that the author use comes from various kinds of literature related to research in the form of books, scientific journals, newspapers, media reports, government policies as well as articles that related to the object of research.

3) Method of Analysis

The method that used by the author to analyze this research is deductive which is a conclusion of a general nature into more specific case with tool of descriptive and explanatory.

F. Scope Of Research

The complexity of European Union policies that suspected as a black campaign of palm oil products from Indonesia and Malaysia, the author limits the scope of research from 2005, precisely after the establishment of EU Emission Trading Scheme (EU-ETS) until 2018, the establishment of the Renewable Energy Directive II (RED-II).

G. The Aim Of The Research

The aim of this research are:

- 1) To examine the reason Indonesia need to cooperate with Malaysia to fight against palm oil discrimination did by the EU
- 2) To complete the final assignment of study in International Relations program, Faculty of Social and Political Sciences, Universitas Muhammadiyah Yogyakarta
- 3) To enrich the study of International relations related to the concentration of Multinational Cooperation

H. Outline

This thesis is consist of five chapters, and each chapter will contain the following:

CHAPTER I is an introduction chapter, the author describes the background of the problem, the research question, the theoretical framework, the hypothesis, the methodology, the scope of research and finally the outline.

CHAPTER II contains the history of palm oil plantation in Indonesia and Malaysia, their total area of plantation, the ownership, the number of production and exports. Beside that, the author also describes the EU needs on palm oil, the total imports, the countries destination and palm oil opportunity in EU market.

CHAPTER III explains about the palm oil issues such as deforestation, biodiversity and Greenhouse Gas Emission (GHG). Furthermore, the author also explains the EU demeanor towards the issues that will be represented in such policies, such as Roundtable Organization on Palm Oil (RSPO), Renewable Energy Directive (RED I) and (RED II), the EU-Emission Trading System (EU-ETS) and Resolution on Palm Oil and Deforestation of Rainforests.

CHAPTER IV This chapter describes the true facts of palm oil issues provided by Indonesia and Malaysia, also their interests as the victims and the importance for both countries to cooperate to stop the palm oil discrimination.

CHAPTER V contains the conclusions of the author which will underline the reasons for the importance of cooperation between Indonesia and Malaysia in dealing with oil palm discrimination.