

CHAPTER ONE

INTRODUCTION

A. Background of Research

The European Union (EU) conducted an in-depth investigation into Indonesia. This investigation is intended to find evidence whether Indonesia has made countervailing measures or evaded EU tariff regulations on biodiesel imports originating from that country. Biodiesel is a biofuel derived from vegetable oil products. This “war” happened after disputes over renewable energy policies, nickel, stainless steel and deforestation-free products, the two parties are again in dispute over biodiesel. This is also a signal the trade dispute between Indonesia and the EU seemed to have no end.

The EU accused Indonesia of involving United Kingdom and People's Republic of China in dealing with the export of biofuel derived from palm oil. This step is thought to have been taken to prevent biodiesel products from Indonesia from being subject to special import duties, as a trade protection measure by the EU.¹

Due to this, on August 15 2023, Indonesia encouraged the World Trade Organizations (WTO) to open trade dispute consultations with the EU regarding the imposition of EU duties on biodiesel imports from Indonesia. Indonesia considers the process of investigating and imposing biodiesel to be inconsistent with WTO rules.

¹ Reuters, 2023, Indonesia Launches WTO Dispute Over EU Duties on Biodiesel Imports, <https://www.reuters.com/business/energy/indonesia-launches-wto-dispute-over-eu-duties-biodiesel-imports-2023-08-15/>, (accessed on 20 September, 2023, 15.30)

The EU has actually applied a duty rate of between 8-18 percent for Indonesian biodiesel imports since 2018.² This application is in an effort to create justice. The reason is that Indonesia is suspected of providing subsidies to biodiesel producers. At that time, Indonesia carried out retaliation and initiated an investigation considering that the imposition of duties was not in line with the WTO agreement. With the result of the decision in favor of Indonesia as the plaintiff country. This is one of the triggers for the conflict that has occurred between the EU and Indonesia to date, which is thought to be an attempt at revenge by the EU against Indonesia.

Trade disputes at the WTO are one of the important legal elements in the WTO and its member countries. Trade disputes are conflicts or disputes that arise between two or more parties involved in international trade. These disputes can involve countries, companies, or individuals dealing with cross-border trade, exports, imports, or foreign investment. Trade disputes can arise due to various reasons such as Tariffs and Customs, Non-Tariff Barriers, Subsidies, Dumping. The term trade dispute is a well-established term in the field of international trade and economics, and it aptly conveys the essence of the conflict under discussion. Using established terminology helps ensure clarity and understanding when discussing complex topics such as international trade. In summary, the term “trade dispute” is used for clarity and provides a concise and accurate description of international trade-related conflicts.

² Hendriyo Widi, 2023, "RI-EU Fight Again at WTO Over Biodiesel", <https://www.kompas.id/baca/english/2023/08/16/en-ri-ue-kembali-berseteru-di-wto-soal-biodiesel>, accessed on September 20, 2023)

The WTO dispute settlement system is the main element in ensuring security and certainty in multilateral trade. The WTO dispute resolution mechanism is very important in implementing the disciplinary framework and functioning of the WTO effectively.³

In disputes between Indonesia and the EU, the WTO functions as an international court that resolves the dispute. It is hoped that it will bridge all the interests of these countries in the trade sector through mutually agreed provisions. Resolving trade disputes is one of the main activities of the WTO. Thus, the aim of this writing is to find out the role of the WTO as an international regime in resolving trade disputes between the EU and Indonesia. Based on these reasons, the research will analyze the topic entitled **“TRADE WAR AND GREEN FUELS: AN ANALYSIS OF EU COUNTERVAILING DUTIES ON INDONESIAN BIODIESEL AT THE WTO”**

B. Problem Formulation

Based on the background which already explained, the research formulates a research problem on how is the WTO Resolution on Trade War between the EU and Indonesia on Biodiesel?

C. Objective of Research

There are some objectives of the research, namely: understanding the dynamics of trade war between the EU and Indonesia, analyzing the

³ Meaza Haddis Gebeyehu, "The Impact of Political Decisions Within the WTO Dispute Settlement System: Political Negotiations Within Adjudication", *Indonesia Journal of International Law*, Vol. 17, No. 1 (April, 2019), p. 45.

Countervailing Measures Under WTO Regulation and finally to analyze the WTO Resolution on Trade Disputes between the EU and Indonesia.

D. Benefits of Research

There are some benefits of this research, as follow:

1. Theoretical Aspect

The research will provide benefits for a better understanding of the international legal perspective on WTO dispute resolution against the EU and Indonesia.

2. Practical Aspect

The research will contribute to the development of WTO responsibility for dispute resolution.