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The European Union's Palm Oil Restrictions: A Perspective a Commercial Diplomacy and Threats

Samudra[1*], Diah Ayu Permatasari[2], Sundawan Salya[3]
[1,3]Sekolah Tinggi Intelijen Negara Indonesia
[2]Universitas Bhayangkara
Corresponding Author: Samudra dsamu3814@gmail.com

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A B STR A CT

The government responded to this, by taking commercial diplomacy steps to confront this regulation. The purpose of this study is to analyze Indonesia's commercial diplomacy in dealing with the EUDR policy by the European Union. This study uses a qualitative method with data sources derived from primary and secondary data. Primary data was obtained through observation and interviews with various parties relevant to the study. While secondary data was obtained through literature studies from various sources such as journals, books, articles, and documents. The results of the study show that commercial diplomacy carried out by Indonesia is divided into two, first relating to policy making, and the second relating to business support activities, which consist of an advisory framework (advisor), facilitation (facilitation), and representation (representation).

INTRODUCTION

Palm oil, as one of Indonesia's natural resources, represents a strategic commodity competing with various other products in the global vegetable oil market. Indonesia is also the world's largest producer of palm oil (CPO/Crude Palm Oil), producing 43 million tonnes of palm oil in 2023, which accounts for 56% of the world's total palm oil production of 76.63 million tonnes (USDA, 2024). Indonesia's palm oil plantations have also developed significantly, covering an area of 16.38 million hectares and providing employment for over 17 million workers, including farmers and employees both on-farm and off-farm (Ministry of Economic Affairs of the Republic of Indonesia, 2022). Therefore, the palm oil industry plays a crucial role in Indonesia's economy, as it involves actors from various economic groups (Aisha & Akim, 2023).

Abroad, palm oil is one of the most sought-after products in the European Union, as it can be used as a raw material for vegetable oil in energy transportation and food production. For example, palm oil exported to the EU is often converted into biofuel (GAPKI, 2024). On 17 January 2018, the European Commission announced a new policy under the Renewable Energy Directive II (RED II) to ensure that biofuel production does not involve environmentally harmful raw materials or contribute to environmental pollution. This policy is planned to phase out the use of biodiesel derived from palm oil by 2030, including that sourced from Indonesia. The policy had a significant impact on the continuation of Indonesian palm oil exports to the EU, which represents Indonesia's second-largest market (Sasmi, 2019).

Subsequently, on 13 March 2019, the European Union, through the European Commission, officially issued derivative regulations related to RED II entitled the Delegated Regulation Supplementing Directive of the EU Renewable Energy Directive II. Through this regulation, the EU classified palm oil as a high-risk and unsustainable renewable energy raw material, posing a high risk of deforestation or Indirect Land Use Change (ILUC) (Bandrang & Ramadhan, 2023).

Furthermore, in May 2023, the EU implemented the Anti-Deforestation Regulation (European Union Deforestation Regulation/EUDR), which requires comprehensive verification of products considered to contribute to deforestation, such as palm oil, coffee, cocoa, and their derivatives traded or imported into the EU. This regulation adds to the list of EU policies increasingly restricting the entry of Indonesian palm oil exports into the region (CNBC, 2023).

Table 1. List of Palm Oil Restriction Policies by the European Union

NO	EUDR palm oil restriction policy
1	Require all operators and traders in the European Union to carry out due diligence to ensure that all commodity products circulating in its territory are guaranteed legal.
2	The Anti-Deforestation Law places the responsibility on companies registered in EU member states to ensure that imported or exported commodities are not produced on land that has been deforested (cleared) after 31 December 2020.

3	Requires companies to trace the commodity back to the land where it was produced (geolocation).
4	Products from countries designated as "high risk" of deforestation will face increased scrutiny by European Union customs authorities (palm oil is categorized as high risk).

Source: Data Processed by the Author, 2026

The European Union Deforestation Regulation (EUDR) is set to be implemented in January 2025. In response, the Indonesian government, through the Ministry of Economic Affairs, is conducting traceability measures to ensure sustainable palm oil production (Liputan6, 2024). However, the Indonesian Palm Oil Association (GAPKI) has requested the policy's implementation be postponed to 2026, as smallholder farmers are not yet ready to comply, complicating exports to Europe (Marton, GAPKI Chairman, 2024).

The EU represents a significant market for Indonesia, with the Netherlands (USD 242 million), Spain (USD 233.1 million), and Italy (USD 215.4 million) being major importers. These three countries alone surpass Indonesia's exports to Pakistan, making Europe the third-largest consumer of Indonesian CPO (Saragih & Rahayu, 2022). Palm oil is also more efficient than alternative vegetable oils, yet EU regulations classify it as high-risk due to environmental concerns.

The economic impact on Indonesia is substantial. Non-oil and gas exports, largely palm oil, are projected to reduce foreign exchange earnings by USD 104.55 million annually, decrease palm oil's contribution to GDP by IDR 1.63 trillion, and reduce state revenue by IDR 218.18 billion per year (Andre, 2020). Exports to the EU fell from 4.13 million tonnes in 2022 to 3.7 million tonnes in 2023, a decline of 11.6% (GAPKI, 2024). While exports to the Netherlands have decreased, imports continue due to its role as Europe's largest vegetable oil processor (Bandrang & Ramadhan, 2023). Palm oil remains Indonesia's leading non-oil and gas export commodity (BPS, 2023).

The EUDR also threatens smallholders, who produce 40% of Indonesia's palm oil. Compliance costs and geolocation requirements could exclude them from the supply chain, while large corporations are better equipped to meet regulations (Hasan, 2023). As a result, the policy is viewed as discriminatory, undermining fair trade principles and potentially detrimental to millions of Indonesians who rely on the palm oil sector, which contributes 9–17% of GDP, employs 8 million people, and has lifted 2.6 million from poverty (Indonesian Palm Oil Facts, 2022).

To address these challenges, Indonesia has pursued economic and commercial diplomacy. Through bilateral and multilateral channels, including the Indonesia–EU Comprehensive Economic Partnership Agreement (IEU CEPA), the Ministry of Foreign Affairs negotiates to reduce trade barriers and counter discriminatory practices (Ministry of Foreign Affairs, 2024; Rana, 2004). Commercial diplomacy involves advocating national commercial interests abroad, gathering economic intelligence, and facilitating market access for Indonesian exporters (Narray in Van Bergeijk et al., 2011).

Indonesia also engages in multilateral advocacy through the Council of Palm Oil Producing Countries (CPOPC), alongside Malaysia and Colombia, to strengthen international collaboration, promote the sector's positive impact on sustainable development, and respond to negative campaigns from the EU (Aisha & Akim, 2023).

Overall, EU restrictions present a clear threat to Indonesia's palm oil industry, reducing competitiveness, limiting smallholder participation, and risking sensitive geolocation data disclosure. Indonesia remains the world's leading producer of CPO (47 million tonnes, 59% of global production in 2023) and PKO (4.94 million tonnes), with total exports of 32.21 million tonnes valued at USD 30.32 billion (USDA, 2024; GAPKI, 2024). Maintaining market access while protecting national interests requires strategic use of commercial diplomacy and multilateral engagement.

Table 2. Total CPO & PKO Exports in 2023

NO	DESCRIPTION	VALUE (In TONS)
1	CPO (Crude Palm Oil)	30,934
2	PKO (Palm Kernel Oil)	1,281
3	**TOTAL**	**32,215**

LITERATURE REVIEW

Several studies highlight Indonesia's diplomatic efforts in responding to EU palm oil policies. Aisha & Akim (2023) note that Indonesia collaborates multilaterally with Malaysia and Colombia through CPOPC to counter negative campaigns, using diplomacy, research on positive SDG impacts, and legal action. Iswanto (2021) emphasizes leveraging SDGs to gain Colombia's support in CPOPC. Suwarno (2019) discusses EU restrictions on target competition, despite Indonesia's deforestation moratorium since 2015. Economic diplomacy involves regional cooperation with Malaysia, Thailand, and Colombia, and promoting palm oil derivatives internationally to mitigate discriminatory EU measures (Aisha & Akim, 2023; Iswanto, 2021; Suwarno, 2019).

a. Threat

A threat is a situation, event, or action that has the potential to cause harm, disruption, or loss (Soekarno, 2006). Ullman (1995) explains that threats include national security, food security, economic security, personal security, and health security. Prunckun (2010) emphasizes that threats involve agents (who have intentions and capabilities) and target objects, which can be material or non-material entities. Threat analysis is carried out by considering intentions (desire and expectation) and capabilities (knowledge and resources), which can be visualized through a fishbone diagram (Prunckun, 2010). Buzan (1983) divides threats into five categories: military, political, social, economic, and ecological, emphasizing the evolution of security from traditional to non-traditional, multidimensional threats. In this study, Buzan is used for economic threats, while Prunckun is used to analyze threats related to the European Union's palm oil restrictions.

b. Commercial Diplomacy
Commercial diplomacy is the commercial advocacy activities carried out by diplomats to support the business and trade sectors of their home country (Berridge, 2003; Narray in Van Bergeijk et al., 2011). The primary functions of commercial diplomats include facilitation, advisory, and representation, including trade promotion, investment, intellectual property protection, and product research and development. This diplomacy supports business actors through market information, product advocacy, and cross-border business relations. Kostecki & Narray (2007) add that commercial diplomacy encompasses policymaking and business support, including trade negotiations, resolving barriers, and product promotion through exhibitions and positive campaigns.

c. Mercantilism Theory
Mercantilism positions the state as the primary actor in the international political economy, seeking to maximize national gains through control of exports, imports, and the domestic economy (Gilpin, 1987). States are considered selfish and focused on wealth accumulation, using economic and military power to protect their interests. Relations between states are zero-sum, where one state's gains diminish those of another. In the context of this research, mercantilism theory is used to analyze the European Union's motivations for restricting Indonesian palm oil, as an effort to protect markets and national interests (Widodo, 2017).

METHODOLOGY

This study uses a qualitative approach. In qualitative research, findings are obtained through interpretation and in-depth understanding of the collected data, rather than through statistical methods or quantitative calculations. This approach allows researchers to delve deeper into phenomena, understand the context, and uncover the meaning contained in the data obtained (Strauss, 1987) . Qualitative research does not depart from existing theories, but rather develops based on direct field observations in natural environments. (Gunawan, 2013). In qualitative research, the process of selecting data samples can be done through *purposive* or *snowball sampling.* This approach includes data collection through triangulation techniques, inductive data analysis, and a focus on revealing and understanding meaning in depth rather than generalizations. In other words, qualitative research emphasizes a deep understanding of the phenomenon being studied, rather than drawing general conclusions (Abdussamad, 2021). This study applies a descriptive method that aims to understand how palm oil diplomacy is facing restrictions by the European Union, a situation that cannot be captured through quantitative formulas. Qualitative methods allow for direct interaction between researchers and research subjects, allowing for comprehensive data collection for further detailed analysis.

RESEARCH RESULTS AND DISCUSSIONS

Overview of Indonesian Palm Oil

The oil palm is a tropical plant belonging to the genus/species *Elaeis* and the order *Aracecae,* originating from West Africa and Central and South America. Oil palms are used in commercial plantations to produce palm oil. The oil palm genus consists of two species: *Elaeis guineensis* and *Elaeis oleifera. The Elaeis guineensis* oil palm is the most commonly cultivated oil palm species, especially in Indonesia. *The Elaeis oleifera oil palm* is native to tropical South and Central America. In Indonesia, oil palms are found in various regions, particularly in Sumatra, Kalimantan, Sulawesi, and Papua (Gapki, 2024).

Table 3. Area of Oil Palm Plantations in Indonesia (BPS 2019-2023)

Area of Oil Palm Plantations (Hectares)				
2019	2020	2021	2022	2023
14,456,600	14,858,300	14,663,60	15,338,60	15,435,700

Source: (BPS 2019-2023)

The oil palm tree has an upright trunk that can reach a height of 20 to 30 meters and a productive lifespan of 25 to 30 years, with long, feather-like fronds. The palm oil is the primary source of palm oil, which is used in various food and non-food products due to its high fat content and resistance to oxidation (GAPKI, 2024).

Palm oil is derived from the fruit of the oil palm, commonly referred to as FFB (Fresh Fruit Bunches). FFB are harvested when ripe, which can be identified by a bright red fruit color and the presence of 10 to 15 fallen fruits on the ground. The FFB is then processed at mills to produce two types of oil: the oil extracted from the mesocarp or pulp to obtain Crude Palm Oil (CPO), and the oil extracted from the kernel to obtain Palm Kernel Oil (PKO) (Asian Agri, 2024).

Once CPO and PKO are obtained, they are transported to processing plants for further refinement, which adds value to the oil palm. Downstream products of palm oil include:

1. Margarine and shortening: Margarine is a vegetable fat substitute for butter in baking, while shortening is a solid fat used in pastries to provide a flaky texture. Both are produced from CPO through hydrogenation to solidify the oil.
2. Cooking oil: Derived from CPO and processed to produce a clear, heat-stable, and solid form suitable for frying.
3. Soap and detergents: Cleaning products for skin and clothing produced from purified CPO, which is converted into Palm Fatty Acid Distillate (PFAD) as the raw material.
4. Cosmetics and personal care products: Creams, lotions, shampoos, and bath soaps are produced from processed PKO.
5. Biodiesel: A renewable alternative to fossil fuels, produced from CPO and PKO through transesterification, which converts triglycerides into methyl esters and glycerol for biodiesel production (Alvindocs, 2024).

In terms of end-use, palm oil is allocated as follows: 68% for food products such as margarine, chocolate, bread, and cooking oil; 27% for industrial products such as soap, detergents, cosmetics, and cleaning agents; and 5% for bioenergy, applied as biodiesel for transport, electricity, and heating (ICDX Group, 2023). As a natural resource, palm oil is a strategic commodity for Indonesia, competing with other types of vegetable oils in the global market. The most widely consumed and traded vegetable oils are crude palm oil, soybean oil, rapeseed (canola) oil, and sunflower oil, which together account for approximately 90% of global vegetable oil production and consumption (Palmoilina.asia, 2024).

Table 4. World Vegetable Oil Production

Vegetable Oil: World Production (Million Tons)					
NO	Production	2021	2022	2023	2024
1	*Oil, Palm*	73.37	73.17	76.63	76.26
2	*Oil, Soybean*	60.06	60.05	59.57	62.74
3	*Oil, Rapessed*	29.44	29.17	32.86	34.47
4	*Sunflower Oil*	19.01	19.69	21.72	22.13
5	*Palm Kernel Oil*	8.43	8.24	8.75	8.67
6	*Oil, Peanut*	6.38	6.44	6.22	6.06
7	*Oil, Cottonseed*	4.84	4.80	4.89	4.97
8	*Oil, Coconut*	3.58	3.73	3.72	3.77
9	*Oil, Olive*	2.94	3.30	2.44	2.42

Source: Data processed by researchers (USDA, 2024).

Indonesia is also the number 1 producer of palm oil (CPO/ *Crude Palm Oil)* in the world, where in the 2023 period Indonesia produced 43 million tons of palm oil or 56% of the total world palm oil production, namely 76.63 million tons (USDA 2024).

Table 5. Palm Oil Table: Production Trend (Million Tons)

Palm Oil: Production Trends (Million Tons)					
NO	PRODUCTION	2021	2022	2023	2024
1	Indonesia	43.50	42.00	45.00	43.00
2	Malaysia	17.85	18.15	18.38	19.71
3	Thailand	2.96	3.37	3.32	3.60
4	Columbia	1.62	1.76	1.85	1.87
5	Nigeria	1.27	1.40	1.40	1.50
6	Etc	6.14	6.48	6.65	6.57
Total		73.37	73.17	76.63	76.26

Source: Data Processed by Researchers (USDA, 2024).

In Indonesia, export products are divided into two parts: oil and gas exports (oil and gas) and non-oil and gas exports (other than oil and gas). Non-oil and gas exports are divided into three sectors: mining and others, with coal as the main export commodity; agriculture, with coffee as the main commodity; and the processing industry, with palm oil as the main commodity (BPS 2023). Palm oil exports reached 28.62 million tons in 2023, with an export value of US$25.07 billion in 2023, contributing 9.68% to Indonesia's total export value of US$258.77 billion in 2023 (BPS 2023).

Table 6. Production Amount and Export Value of Palm Oil

Palm Oil Exports by Destination Country (Million Tons)					
Country of destination	**2019**	**2020**	**2021**	**2022**	**2023**
India	4.65	4.63	3.10	4.99	5.40
China	5.98	4.48	4.86	4.27	5.44
Pakistan	2.21	2,490	2.67	2.81	2.51
Dutch	1.10	0.76	0.58	0.55	0.39
United States of America	1.19	1.13	1.65	1.80	1.98
Spanish	1.08	1.14	0.99	0.63	0.65
Egypt	1.09	0.97	1.04	0.68	0.96
Bangladesh	1.35	1.03	1.32	1.33	1.36
Italy	0.75	0.94	0.62	0.59	0.40
Singapore	0.59	0.36	0.56	0.11	0.22
Other	10.33	9.87	10.65	9.37	9.47
Amount	**30.38**	**27.84**	**27.57**	**27.17**	**28.62**
Export Value (Billion US$)					
Country of destination	**2019**	**2020**	**2021**	**2022**	**2023**
India	2.30	3.03	3.35	5.32	4.52
China	3.13	2.93	5	4.54	4.67
Pakistan	1.17	1.67	2.80	3.13	2.18
Dutch	0.59	0.52	0.63	0.71	0.36
United States of America	0.67	0.80	1.84	2.28	1.76
Spanish	0.57	0.76	0.99	0.68	0.58
Egypt	0.58	0.66	1.12	0.82	0.83
Bangladesh	0.71	0.70	1.37	1.48	1.16
Italy	0.41	0.62	0.62	0.66	0.36
Singapore	0.28	0.24	0.65	0.15	0.22
Other	5.69	6.92	11.42	11.12	8.58
Amount	**16.15**	**18.89**	**29.25**	**30.94**	**25.07**

Source: (BPS, 2024)

From the table above, if the total exports to the 3 (three) largest countries in the European Union, namely the Netherlands, Spain, and Italy, are added up, then the total exports are the 3rd (three) largest in 2019 and 2020, then the 4th (fourth) largest in 2021, and the 5th (five) in 2022 and 2023.

Table 7. Palm Oil Production and Export Value of the 3 Largest European Union Countries

Palm Oil Exports by Destination Country (Million Tons)					
Country of destination	**2019**	**2020**	**2021**	**2022**	**2023**
Dutch	1.10	0.76	0.58	0.55	0.39
Spanish	1.08	1.14	0.99	0.63	0.65
Italy	0.75	0.94	0.62	0.59	0.40
Amount	**2.93**	**2.84**	**2.19**	**1.77**	**1.44**
Export Value (Billion US$)					
Country of destination	**2019**	**2020**	**2021**	**2022**	**2023**
Dutch	0.59	0.52	0.63	0.71	0.36
Spanish	0.57	0.76	0.99	0.68	0.58
Italy	0.41	0.62	0.62	0.66	0.36
Amount	**1.57**	**1.9**	**2.24**	**2.05**	**1.3**

Source: (BPS, 2024)

Based on data from Gapki 2024, the total export volume to the European Union was 4.13 million tons in 2022 and 3.70 million tons in 2023.

The Development of European Union Restrictions on Palm Oil

Indonesia is the world's largest producer of crude palm oil (CPO). In 2023, Indonesia produced approximately 43 million tonnes of palm oil, accounting for 56% of global palm oil production, which totaled 76.63 million tonnes (USDA, 2024). Within the European Union, three countries serve as Indonesia's primary palm oil export partners: the Netherlands (USD 242 million), Spain (USD 233.1 million), and Italy (USD 215.4 million). Indonesia's total exports to these three European countries exceed its exports to Pakistan. Consequently, Europe represents Indonesia's third-largest CPO export market globally, after India and China, demonstrating the region's strategic importance for Indonesia (Saragih & Rahayu, 2022).

Nevertheless, European Union policies—specifically the European Union Deforestation Regulation (EUDR) and Renewable Energy Directive II (RED II)—have restricted the entry of several commodities, including palm oil, into the EU market on environmental grounds. These policies have negatively affected Indonesia's non-oil and gas export performance, particularly palm oil exports. Indonesia's palm oil exports to the EU declined by 15.85%, from USD 2.14 billion in 2018 to USD 1.81 billion in 2019 (Lorensia et al., 2022). Palm oil trade has historically contributed approximately 1.66% annually to Indonesia's non-oil and gas export performance and trade balance. As a result of EU restrictions, Indonesia faces an estimated annual reduction in export revenue and foreign exchange earnings of USD 104.55 million, a loss of IDR 1.63 trillion per year in

GDP contribution, and a decline in state revenue of approximately IDR 218.18 billion annually (Andre, 2020). Furthermore, palm oil exports to the EU decreased from 4.13 million tonnes in 2022 to 3.7 million tonnes in 2023, representing a decline of approximately 11.6% (GAPKI, 2024).

The impact of RED II is also evident in the Netherlands, Indonesia's primary export destination within the EU. Although Indonesian palm oil exports to the Netherlands have declined on average, the country has not ceased imports, as the Netherlands remains Europe's largest vegetable oil processing hub (Bandrang & Ramadhan, 2023). Palm oil remains Indonesia's most important non-oil and gas export commodity (BPS, 2023).

European Union Deforestation Regulation (EUDR)

The European Union Deforestation Regulation (EUDR) represents an extension of previous EU policies designed to address rising greenhouse gas emissions and the perceived ineffectiveness of global efforts to stop deforestation, biodiversity loss, and structural changes in forest cover (Regulation (EU) 2023/1115, 2023). Initially outlined in the European Commission's 2019 communication, the regulation was formally adopted on 29 June 2023 (Coordinating Ministry for Economic Affairs, 2024).

The EUDR aims to enhance EU engagement in preventing deforestation while promoting awareness of Indigenous peoples' rights and human rights. It ensures that commodities and products circulating within the EU meet strict requirements and are certified as deforestation-free (Regulation (EU) 2023/1115, 2023).

The regulation covers seven commodities: palm oil, coffee, timber, rubber, cocoa, livestock, and their derivatives, including tires, chocolate, furniture, meat, and leather. The EUDR was published in the Official Journal of the European Union on 9 June 2023 and will be implemented gradually—over 18 months for large enterprises and 24 months for small and micro-enterprises—starting from 29 June 2023.

Key requirements include:

a) Products entering the EU must be deforestation-free and not sourced from land deforested after 31 December 2020.
b) Products must comply with the laws of their country of origin.
c) Products must undergo due diligence procedures (Regulation (EU) 2023/1115, Article 3, 2023).

Due diligence includes data collection, geolocation mapping, risk assessment, and risk mitigation through independent audits. Risk assessments classify products into low, standard, or high-risk categories (Oktariyanti & Zahidin, 2023). Non-compliance results in penalties, including fines of up to 4% of annual EU turnover, confiscation of goods and revenues, exclusion from public procurement, temporary bans on market access, and restrictions on simplified due diligence (Regulation (EU) 2023/1115, Article 25, 2023).

Although originally scheduled to take full effect on 30 December 2024, the EUDR was postponed to 30 December 2025 for large companies and 30 June 2026 for micro, small, and medium enterprises following a European Parliament vote on 14 November 2024 (VOA, 2024).

Renewable Energy Directive I & II

Renewable Energy Directive II (RED II), adopted on 14 June 2018, aims to restrict the use of biofuels associated with deforestation during the 2021–2030 period (European Commission, 2018). Under RED II, palm oil-derived biofuels are categorized as high indirect land use change (ILUC) risk due to their association with deforestation between 2008 and 2015 (Iswanto, 2021). The EU plans to gradually phase out palm oil-based biofuels from 2023 and eliminate them entirely by 2030, while exempting low-risk oils such as soybean, sunflower, and rapeseed oils. Palm oil is uniquely classified as high ILUC risk (Iswanto, 2021).

Article 26 of RED II limits the consumption of high ILUC-risk biofuels and mandates a gradual reduction to 0% by 2030. As a result, palm oil-based biofuels, bioliquids, and biomass fuels will be progressively removed from the EU market (Sinaga & Foekh, 2022). RED II succeeded Renewable Energy Directive I (RED I), introduced in 2009, which promoted renewable energy use and set a 20% renewable energy target for EU member states by 2020 (Astari & Kardina, 2024). However, RED policies have been criticized as protectionist measures designed to protect EU domestic vegetable oil industries from more competitive palm oil imports (Astari & Kardina, 2024).

Indonesia's WTO Dispute Victory Against RED II

On 10 January 2025, a WTO Panel ruled that the EU discriminated against Indonesia by treating palm oil-based biofuel feedstocks less favorably than rapeseed and sunflower oil from the EU. The Panel also found flaws in the EU's ILUC risk classification methodology under RED II (WTO Panel Report). As a result, the EU is required to amend RED II in compliance with WTO rules. On 23 January 2025, the EU Deputy Ambassador to Indonesia confirmed that the EU would comply with the ruling, although no timeline was specified (Ekonomi.bisnis.com, 2025).

Indonesia's Commercial Diplomacy in Anticipating EU Palm Oil Restrictions

Indonesia has responded to EU palm oil restrictions through a commercial diplomacy approach (Lorensia et al., 2022). This strategy focuses on advocacy, negotiation, promotion, and international cooperation to counter negative narratives and protect Indonesia's economic interests.

Commercial diplomacy is defined as state-led advocacy conducted by commercial diplomats to facilitate, advise, and represent national economic interests abroad (Naray in Van Bergeijk et al., 2011). Indonesia's diplomatic efforts aim to strengthen positive perceptions of palm oil sustainability, maintain export continuity, and support national economic growth. The threat categories can be seen in the following table:

Table 8. Threat Coefficient of Palm Oil Restrictions

NO	THE THREAT OF PALM OIL RESTRICTIONS BY THE EUROPEAN UNION	SCORE					AVERAGE
		1	2	3	4	5	
INTENTION							
Desire							
1	Anticipating economic losses due to the dominance of palm oil in the European Union			x			3.5
2	Making local EU vegetable oil a primary need for EU citizens				x		
Expectation							
1	Increasing the competitiveness of domestic vegetable oils in the European Union (Sunflower Oil & Rapeseed)			x			2.5
2	Changing the perception of the international community to switch to using coconut oil from the European Union		x				
CAPABILITY							
Knowledge							
1	Creating a negative image of palm oil				x		4
2	Applying double standards to palm oil				x		
Resources							
1	Using the European Union parliament to pass policies that make it difficult to import palm oil from other countries					x	4.5
2	Declining palm oil imports from Indonesia to the European Union				x		
Threat Coefficient							14.5

Table 9. Indicators of Palm Oil Restriction Threat Coefficient

Threat	Coefficient
Negligible	4-6
Minimum	7-10
Medium	**11-15**
High	16-18
Acute	19-20

Based on threat analysis, Prunckun (2015) categorizes the European Union's palm oil restrictions as a medium-level threat, with a coefficient score of 14.5. This indicates that the threat actor possesses both intentions evidenced by declining Indonesian palm oil exports to the EU and capability, including shaping negative palm oil narratives and imposing restrictive regulations. Economically, such measures constitute an economic threat that disrupts market stability and fair competition (Buzan, 1983). Additional risks arise from mandatory geolocation data disclosure and country benchmarking under the

EUDR, which Indonesia views as discriminatory and potentially harmful to its trade relations (Hasan, 2023; Reuters, 2024).

CONCLUSIONS AND RECOMMENDATIONS

The Government of Indonesia responded to the EU's EUDR palm oil restrictions through a commercial diplomacy approach, encompassing policy-oriented diplomacy and business support diplomacy. Policy efforts include CPOPC conferences, formal objections to the EU, and joint Indonesia–Malaysia missions. Business support diplomacy is conducted through facilitation, advisory, and representation activities, such as trade forums, Trade Expo Indonesia, stakeholder dialogues, workshops, and international exhibitions. Threat analysis classifies the EU restrictions as a medium-level threat (score 14.5), reflecting realized impacts on exports and the EU's capacity to shape negative narratives. Additional risks involve geolocation data disclosure and country benchmarking, which may trigger broader discrimination trade consequences. It is recommended that Indonesia strengthen commercial diplomacy through training, engage EU parliamentarians to counter negative palm oil narratives, intensify Joint Task Force diplomacy to ensure inclusive EUDR compliance and ISPO recognition, and enhance inter-ministerial coordination by utilizing professional lobbying services within the European Union.

ADVANCED RESEARCH

Future research should expand empirical analysis by incorporating quantitative trade data, comparative studies with other vegetable oils, and stakeholder perspectives, particularly smallholders. Further studies could also examine long-term geopolitical, data security, and sustainability implications of EUDR implementation across global palm oil supply chains.

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