

ADOPTION OF THE PALM OIL MORATORIUM POLICY IN RESPONSE TO THE EU'S RED II: INDONESIA CASE

A Thesis

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by:

Wahyu Wulandari

02212210006

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ABSTRACT

Wahyu Wulandari
02212210006
MA in Political Science
Universitas Islam Internasional Indonesia
Email: wahyu.wulandari@uiii.ac.id

How did RED II push the Indonesian government to implement a moratorium policy for the palm oil industry? This research investigate how RED II regulations pressured the Indonesian government to adopt the palm oil moratorium policy and why this happened. RED II, or Renewable Energy Directive II, is a continuation policy from the previous RED implemented by the European Union to regulate the use of renewable energy and aims to reduce greenhouse gas emissions. RED II is considered stricter, especially in regulating the use of biofuels derived from palm oil, and the moratorium policy is one of the efforts made by Indonesia after facing various regulations that affect the presence of palm oil in Indonesia. This research uses a qualitative approach to explore the factors that influence Indonesia's decision making in responding to global demands for the sustainability of the palm oil industry, especially after the emergence of RED II. By using Spalding's policy adoption approach, the research results show that the adoption of the moratorium policy in Indonesia is influenced by significant pressure from the European Union, especially the RED II policy, which limits palm oil imports because of its impact on deforestation and climate change. However, these factors are not enough to explain how Indonesia adopted the moratorium and why it happened, thus there are internal factors, namely related to socio-economic conditions and bureaucratic aspects in Indonesia which encourage massive expansion of oil palm plantations. Specifically, the availability of large areas of land encourages continuous expansion because it provides greater economic opportunities. On the bureaucratic side, it refers to the internal dynamics where the moratorium emerged as a response to the government's difficulties and challenges in overcoming the oil palm issue. These internal dynamics can be seen from the overlapping regulations and agencies which are also influenced by the decentralized system in Indonesia and makes coordination between central and regional institutions difficult. This research concludes that these external and internal factors influence each other, thus encouraging Indonesia to adopt a moratorium policy as an effort to overcome difficulties and challenges regarding the sustainability issues of the palm oil industry.

Keywords: *Palm oil, moratorium, sustainability, European Union, RED II, Indonesia.*

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CHAPTER I

INTRODUCTION

A. Research Problem

How did the Renewable Energy Directive (RED) II push the Indonesian government to implement a moratorium policy for the palm oil industry? This research investigates how RED II regulations pressured the Indonesian government to adopt the palm oil moratorium policy and why this happened. This research will specifically examine the mechanisms of how RED II pressured the Indonesian government to adopt a palm oil moratorium policy.

RED II is a continuation policy of the previous RED implemented by the European Union to regulate the use of renewable energy and aims to reduce greenhouse gas emissions. RED II is stricter, especially in regulating the use of biofuels derived from palm oil, and the moratorium policy is one of the efforts made by Indonesia after facing various regulations affecting the palm oil sector in Indonesia. RED II itself is a revision of the previous RED regulation aimed at encouraging the use of renewable energy throughout the EU. The main aim of this regulation is to reduce EU member states' dependence on biofuel imports and ensure that they have domestic energy supplies. In addition, it is also a response to global demands to reduce carbon emissions to combat climate change. In this context, RED is an external pressure that has an influence on the palm oil industry in Indonesia. This has had an impact because RED has reduced the value of Indonesian palm oil exports to European countries.

The proposed question above arises along with the development of the palm oil industry worldwide, especially in Indonesia. The issue is important because, for two decades, Indonesia has been the largest palm oil producer in the world and plays an important role in the global industry (Isharyadi et al., 2021; Cisneros et al., 2021). Indonesia has been listed as the leading global palm oil producer, with production of around 45.58 million tonnes in 2022, followed by Malaysia with production of around 18.45 million tonnes (Statista, 2023), and they generate more than 83% of the world's palm oil. In 2021, Indonesia exported around 34.2 million tonnes of palm oil, an increase of 0.6% compared with 2020 at 34 million tonnes (CNN, 2022). However, this development raises pros and cons, which are increasingly being

discussed globally because they are related to environmental sustainability issues, which directly impact climate change in the world today.

Although palm oil production is a significant economic driver in many tropical countries including Indonesia, it has attracted attention due to its impact on the environment. This is because the production process often involves clearing large areas of tropical forest, leading to widespread deforestation and habitat loss. This forest destruction not only threatens biodiversity but also releases stored carbon into the atmosphere, thereby contributing to climate change. Therefore, palm oil is receiving increasing attention, including in the 2015 Paris Agreement (The Jakarta Post, 2019). Unsustainable palm oil production, which contributes to greenhouse gas emissions through deforestation and peatland degradation, runs counter to the goals of the Paris Agreement, which aims to mitigate climate change by limiting global warming and encouraging sustainable practices, including forest conservation. Therefore, practices that lead to deforestation undermine global efforts to combat climate change as outlined in the Paris Agreement. However, the monitoring of palm oil production has evoked statements from Indonesian officials, including Coordinating Maritime Affairs Minister Luhut Binsar Pandjaitan, indicating Indonesia's opposition to such actions, even suggesting that Indonesia reconsider its commitments under the Paris Agreement if palm oil exports are affected (The Jakarta Post, 2019).

Furthermore, many countries have committed to achieving the United Nations Sustainable Development Goals (SDGs) by 2030, where the big goals are to end poverty and inequality, climate change, protect the environment and achieve sustainability (UN, 2020). Nevertheless, some studies indicate that the expansion of oil palm plantations can lead to various consequences, including deforestation, loss of biodiversity and heightened emissions of greenhouse gases, which are major contributors to climate change (Dauvergne., 2018; Ayompe, 2021). In addition, palm oil is associated with issues such as corruption, child labor, human rights abuses, displacement of indigenous communities and the promotion of deforestation and habitat damage (European Parliament, 2017). Indonesia is experiencing accelerating deforestation dynamics, with forest loss of 11% from 2001 to 2019. The following table shows the expansion of palm oil:

Table 1. Deforestation caused by palm oil expansion from 2001 to 2019 in Indonesia and by region

| Areas (in Ha) | Indonesia | Sumatra | Kalimantan | Papua | Sulawesi | Java Maluku |
|-------------------------------------|------------------|------------------|------------------|------------------|-----------------|------------------------------|
| Landmass | 189,130,128 | 47,467,842 | 53,498,290 | 41,227,232 | 18,627,593 | 21,135,660 |
| 2019 Forest area | 87,758,114 (46%) | 12,063,230 (25%) | 25,742,162 (48%) | 34,289,462 (83%) | 9,114,005 (49%) | 5,871,624 (28%) ¹ |
| 2019 Forest area (<500 m asl) | 55,724,906 | 5,961,949 | 17,266,990 | 25,165,882 | 3,130,233 | 3,920,071 |
| Forest loss 2001–2019 | 9,789,448 (11%) | 4,075,312 (25%) | 4,023,971 (14%) | 748,640 (2%) | 715,737 (7%) | 213,487 (4%) |
| Forest converted to OP [‡] | 3,094,882 (32%) | 1,242,345 (31%) | 1,593,260 (40%) | 200,161 (27%) | 46,782 (7%) | 12,629 (6%) |
| Rapid conversion [§] | 2,849,796 (29%) | 1,166,806 (29%) | 1,434,493 (36%) | 194,996 (26%) | 43,319 (6%) | 10,181 (5%) |
| Rapid conversion to industrial OP | 2,129,301 (22%) | 553,480 (14%) | 1,341,610 (33%) | 194,671 (26%) | 29,807 (4%) | 9,733 (4.5%) |
| Rapid conversion to smallholder OP | 720,495 (7%) | 613,326 (15%) | 92,884 (3%) | 325 (0.0004%) | 13,512 (2%) | 448 (0.002%) |

We used a sinusoidal projection to calculate areas.

OP: Oil Palm

(%) of landmass.

(%) of 2000 forest area.

(%) of forest loss.

[‡] Area of forest in 2000 and converted to oil palm plantation by 2019. N.B. we cannot assert that all 3.09 Mha were cleared for oil palm as they may have been cleared for other reasons before subsequently being planted with oil palm.

[§] The area of forest that was replaced by oil palm in the same year it was cleared. We can assert that all 2.85 Mha were cleared by oil palm expansion.

* Maluku lost 201,081 ha of forest between 2001 to 2019. It had 5,167,788 ha forest left in 2019, or 66% of its landmass (7,876,562 ha). Java lost 12,406 ha. It had 703,836 ha forest left, or 5% of its landmass (13,259,098 ha).

The provinces of Bali and East and West Nusa Tenggara (landmass = 7,173,511 ha) lost 12,301 ha of forest between 2001 and 2019, representing 2% loss. In 2019, there were 677,631 ha of forest and no oil palm in these three provinces. These regions have no oil palm.

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Source: Gaveau et al. 2022

The table indicates that Indonesia's forest area had a decline of 9.79 million hectares (11%) between 2001 and 2019, resulting in an average annual loss of 0.51 million hectares. Sumatra and Kalimantan saw a higher loss of forest compared with other regions, with a total of 4.08 million hectares (25%) and 4.02 million hectares (14%), respectively. Research conducted between 2001 and 2019 shows that the expansion of oil palm plantations has doubled, reaching a total area of 16.24 million hectares in 2019. Out of this, 64% is attributed to industrial use, while 36% is attributed to smallholder farmers. The estimate is higher than the official estimate of 14.72 million hectares reported Gaveau et al. in 2022.

In 2017, the issue of sustainability demands began to surface, when the EU issued a statement prohibiting the use of palm oil for biodiesel by 2020, because it was deemed not to be produced sustainably, thereby triggering deforestation (Mongabay, 2017). In that statement, the EU issued a ban on palm oil-based biodiesel because it was considered to still cause many problems, not only deforestation but also related to the problems of child labor, human rights violations and corruption. The statement from the EU in 2017 can be seen as part of an increasing global trend where regulatory and market pressures are aimed at promoting

sustainability. Therefore, the issue of palm oil is currently causing quite a controversy in environmental debates on the international stage.

Previously, the European Commission launched the ‘Clean Energy for All Europeans’ initiative in November 2016. As a component of this endeavor, the Commission sanctioned a legislative proposition to amend RED. This directive serves as the foundation for proposed modifications to the overarching renewable energy policy direction. In June 2018, the various EU institutions reached a final compromise text through a collaborative decision-making process (European Parliament, 2019). An illustration of this pattern may be seen in the EU’s RED and its subsequent policies. The EU has since implemented RED II, which reinforces the sustainability requirements for biofuels. This has been achieved by imposing restrictions on the use of biofuels derived from animal feed or food crops that pose a significant risk of causing land use change, such as palm oil.

The revised Renewable Energy Directive 2018/2001/EU, known as RED II, was implemented in 2018. The primary objective of the EU in implementing the RED II policy was to promote the adoption of renewable energy sources as a means of mitigating greenhouse gas emissions. This policy was also intended to ensure compliance with the commitments outlined in the Paris Agreement, which were agreed upon during the 21st conference of the parties to the UN Framework Convention on Climate Change. In the new regulations, EU countries should use at least 32% renewable energy sources, up from the previous 27% set in RED I, by 2030. RED II is considered to have established stricter sustainability criteria for bioliquids, biofuels and other biomass fuels. This is also to ensure that the fuel does not cause deforestation, does not displace carbon-rich land and does not contribute to high-risk land use changes.

In that context, indirect land use change (ILUC) occurs when land that was originally used for traditional production such as food and feed is converted into an area for growing crops that are used as a source of biofuel, bioliquid and biomass. This ultimately results in increased carbon production in wetlands and peat, and contributes to increased greenhouse gas emissions. Expansion of raw materials on land with high carbon stocks exceeding 10% can be categorized as land with a high risk of ILUC. Based on the report data and formula, only palm oil with an expansion rate exceeding 40% falls into this category. In contrast, soybean (8%), corn (2.4%) and sugar cane (2.3%), despite expanding into forested areas,

remain below the 10% threshold (See table feedstock expansion on high carbon land)¹. The problem that arises as a result of the RED II regulations is that there are provisions related to several categories of biofuels, especially those that are considered to have a high risk of causing ILUC and involve crops with significant expansion of production areas. Hence, the RED II policy effectively forbids the utilization of palm oil derived fuel inside the European countries as a means to mitigate greenhouse gas emissions. Palm oil in particular is classified as an unsustainable material under this regulation, so it cannot be used as a biofuel feedstock. As a result, the use of palm oil will be reduced gradually until it is eliminated by 2030 (CNBC, 2019).

In response to this, the Indonesian government criticized the EU regulations that prohibited trade in commodities such as palm oil originating from illegal plantations and deforestation. It argued that this regulation harmed the palm oil industry due to high production costs and was discriminatory because it had too strict requirements for producers, especially small farmers. On the other hand, Indonesia's response emphasized a palm oil moratorium as one way to reduce the expansion of oil palm plantations into primary forests (e.g., Mongabay, 2022; Cifor, 2017; Reuters, 2018), although basically, Indonesia also showed its commitment to comply with certification scheme standards such as the Roundtable on Sustainable Palm Oil (RSPO) and Indonesian Sustainable Palm Oil (ISPO), although the RSPO and ISPO are still considered weak.

Indonesia has made several efforts to respond to RED II, including diplomatic efforts and improving the downstream sector (Sasmi, 2019), but the downstream sector is considered not enough to stop expansion of palm oil without being accompanied by a deforestation moratorium. Therefore, Indonesia implemented a moratorium as a form of quick response to the EU's ban on purchasing palm oil from illegal plantations and from deforestation. The moratorium on palm oil is currently regulated through Presidential Instruction (Inpres) No. 8/2018 and signed by President Joko Widodo on Sept. 19, 2018. The moratorium limits the issuance of new permits or deforestation of primary forests, peatlands, conservation forest, protected forest and producing forest. The moratorium aims to enhance the sustainable management of oil palm plantations, ensure legal clarity, protect environmental

¹ See table in https://eur-lex.europa.eu/eli/reg_del/2019/807/oj

sustainability, reduce greenhouse gas emissions and support the efforts of palm oil farmers in increasing their productivity (KLHK, 2018).

Although it has achieved some success, such as preventing deforestation of 150,089 hectares of dryland forest and reducing by up to 86.9 million tonnes emissions of carbon dioxide equivalent (CO₂e) between 2011 and 2018 (Mongabay.com, 2022), this achievement only covers 4% of the target emission reductions set out in the Paris Agreement. This figure is considered a "small decrease" in Indonesia's overall commitment to climate change mitigation, considering the 29% emissions reduction target that Indonesia must achieve by 2030 in accordance with the nationally determined contribution (NDC) in the Paris Agreement. Therefore, the oil palm plantation moratorium policy in Indonesia has faced criticism. A collaborative analysis conducted in 2017 by Walhi, Partnership, TuK Indonesia (Transformation for Indonesian Justice), Sawit Watch and Auriga highlighted that previous implementations of the moratorium had not brought significant changes (Walhi, 2020).

Critics argue that the policy has not effectively challenged the control over natural resources, especially in large-scale oil palm plantations controlled by a small group of economic elites. Responding to these issues, this research attempts to examine the phenomenon of Indonesia's decision to choose a palm oil moratorium. Therefore, this research seeks to provide a deeper understanding of how RED II regulations pressured Indonesia to adopt a moratorium and why it happened. It is hoped that this research can provide an important understanding of theoretical basis, as well as enriching our understanding of the political and social dynamics underlining Indonesia's response to the need for sustainability in the palm oil industry. In this context, RED is assessed as an external pressure that influenced the adoption of the moratorium. This shows that external determinants play an important role in the policy adoption process, but this is not enough to explain the complexity of the existing problems so it requires explanation from other factors, especially those originating from internal determinants at the Indonesian domestic level.

B. Significance of the Study

This research focuses on understanding how RED II pushed the Indonesian government to implement a moratorium policy for the palm oil industry. It aims to understand whether the moratorium is an appropriate policy in overcoming various problems related to palm oil so that it can achieve a balance among social, economic and environmental sustainability. This research focuses on the role of external pressure in policy adoption in the field of sustainability. Additionally, this research contributes by illustrating the mechanisms through which RED II influenced the process of decision making leading to the adoption of the palm oil moratorium.

Therefore, this research contributes theoretical and practical value that is worthy of consideration. The theoretical implications lie in academic contributions to understanding environmental sustainability practices in the context of the palm oil industry. The findings of this study can contribute to similar cases by identifying successful and failed sustainability efforts. Other countries can learn from the experiences of Indonesia and adapt their strategies to suit each country's unique context, thereby enabling the identification of best practices that can be emulated and be capable of resulting in better and more sustainable global palm oil production and making a contribution of valuable insights into sustainable practices, especially for palm oil-producing countries around the world.

Practical implications are seen in the actionable insights from this research, which can be applied by stakeholders, such as governments, industry leaders and environmental organizations, including policymakers, both at local and global levels in using research findings to formulate regulations and policies and improving social responsibility initiatives of the state or companies so that they commit to more effective sustainability in order to encourage sustainable palm oil production without hampering economic growth. Policymakers can use the findings of this research to implement more effective and targeted regulations, encourage sustainable practices and offer practical solutions to overcome challenges in resource management, especially in balancing economic growth and environmental conservation. Therefore, through understanding the reasons behind the adoption of the moratorium, it is hoped that this research can help evaluate the effectiveness of the policy in achieving desired goals, such as reducing deforestation and at the end, can increase the sustainability of the palm oil industry.

CHAPTER II

THEORETICAL FOUNDATION

A. Literature Review

Internal and external factors often influence the process of policy adoption. The policy acceptance process is primarily impacted by both internal and external determinants (Lestari et al., 2022). Each of these determining variables is associated with elements that impact the government's choice to adopt a policy. Several studies show that external and internal factors significantly influence the adoption and implementation of environmental, sustainability and climate policy changes.

Rai (2020) examined the political aspects of climate adaption in states within the United States. The study focused on identifying the elements that influence the adoption and intensity of State Adaption Plans (SAPs) in order to get insight into the motivation behind adaptation planning. The findings indicate that countries are more inclined to embrace a policy when confronted with higher levels of climate vulnerability, possess a more permissive populace and when the government has successfully surmounted obstacles by initially implementing a mitigation plan. Conversely, interest group politics are likely to increase policy intensity and goal formulation, which can then be disseminated through policy learning or information exchange across neighboring countries. In addition, it clarified that policy making can be attributed to two main factors: internal determinants and external pressure.

The internal factors concept posits that a country's policymakers are influenced by the country's internal characteristics, including its political, social and economic qualities. These attributes can serve as motivators, barriers or resources when formulating policies. External pressure or diffusion refers to the influence of variables outside the government on policymaking. This includes many processes by which ideas can spread between countries, typically through policy learning, competition and cooperation. Countries engage in economic competition by implementing measures to get economic advantages or prevent economic setbacks (Berry and Berry, 2007 in Rai 2020). Some studies propose the existence of a phenomenon known as the 'race to the top' or 'California effect', when countries engage

in competition to establish more stringent environmental regulations in order to gain a larger portion of the market. This concept was explored in Vogel's (1997) study on automotive emission standards.

Chen (2022) conducted a study on the management of sustainability policies and practices by local governments. The research explores how these activities are influenced by organizational, social and institutional factors. This study demonstrates that governments that embrace a culture of individuality are more inclined to implement environmental management measures in response to growing external challenges. This demonstrates the significant contribution of external stakeholders in promoting development practices and methods that support environmental sustainability. These practices include conserving energy, minimizing pollution and preventing the depletion or deterioration of natural resources. These studies provide a definition of external stakeholders as individuals or organizations from a wider societal context who possess the ability to exert influence over government environmental management efforts. Stakeholders are individuals or groups who have the ability to influence the organization's performance or who will be impacted by the organization's goal attainment.

The findings indicate that social factors, such as influence from external stakeholders and community culture, are associated with the choices made by local governments to implement or plan sustainability projects. They demonstrate that the impact of social factors on government sustainability decisions varies across the US and Japan, so validating the notion that public management theories, methods and solutions developed in one nation may not be directly transferable to another. In conclusion, the findings of this study confirm the significance of aligning implementation methods with government arrangements, as this has a direct impact on the successful execution or enforcement of sustainability programs. Put simply, individuals are more inclined to proactively respond to environmental concerns and take action when they experience stronger external demands from stakeholders regarding environmental conservation and management.

We can also examine the studies on policy adoption conducted by Pitt (2010), where this research analyzed the factors that influence the adoption of climate mitigation policies by US city governments. This study examines the correlation between internal and external attributes that contribute to the implementation of these policies. This study aims to address

the fundamental inquiry: what are the underlying reasons that prompt local governments to implement climate mitigation policies? Is the implementation of climate mitigation policies largely influenced by the internal qualities of a certain community or the exterior characteristics of the neighboring community? Which designation is more appropriate: metropolitan area, region or state? The study revealed four key factors that have the greatest impact on the extent of climate mitigation planning and policy implementation in US cities. These factors include the influence of neighboring jurisdictions, the allocation of staff members specifically dedicated to energy or climate planning, the level of community environmental activism and the environmental awareness of local governments. The result indicates that internal factors are the main motivators in climate mitigation planning rather than external ones. Among the key factors, only the influence of neighboring jurisdictions is considered as an external factor.

On the other hand, research by Matisoff (2008) also examines factors influencing the implementation of state climate change policies and renewable energy portfolio standards in the US. This research finds that internal and external factors contribute to the implementation of state climate change policies and renewable energy portfolio standards. This study seeks to identify policy innovations and explain quantitatively the implementation of state policies regarding climate change. In this research, the question that arises is, what makes countries more likely to adopt policies that are beneficial to global society? Two things were identified, namely reviewing existing empirical evidence related to the implementation of climate change policies in a country and trying to test specific hypotheses derived from internal determinants and diffusion models of regional policy implementation.

This research finds that policy diffusion is a motivation, resource and obstacle to policy change. The motivation for policy innovation is driven by both environmental conditions and citizen demands. The resources encompass the country's economic and geographical assets, including the capacity for harnessing wind and solar energy. Challenges arise from the country's reliance on carbon-intensive sectors like coal and natural gas. The findings indicate that domestic factors, particularly social need, have a greater influence on a country's policy compared with the influence of diffusion from neighboring countries.

Another research was presented by Kalafatis (2018) where he looked at the factors underlying the adoption of climate change mitigation and adaptation as issues that influence

city policy actions, as well as how this influence extends to various areas of city policy making. The main findings of this research indicate that the adoption of these issues as factors influencing municipal policy actions and the number of policy-making areas influenced by these issues are related to different factors. These factors are related to social change, crisis and the formation of new coalitions especially related to adoption. This research shows that both internal and external factors play an important role in the adoption of climate change policies by city governments. Internal factors include local political and economic dynamics, as well as social crises that influence both policy adoption and intensity. For example, cities that depend on the manufacturing sector are less likely to adopt climate change adaptation policies, while cities with higher unemployment rates and higher household incomes tend to adopt more adaptation policies. Social dynamics and crises also play a significant role in policy adoption. Cities facing social change or crisis are more likely to adopt new policies.

Meanwhile, external factors such as participation in intercity sustainability networks, reliance on intergovernmental funding and pressure from outside constituencies influence the adoption and design of more comprehensive sustainability policies. Participation in inter-city sustainability networks enables the exchange of information and resources that promotes the adoption of adaptation policies. Cities that depend on funding from central government or intergovernmental agencies are also more likely to adopt adaptation policies. Additionally, pressure from constituents in new economy industries and environmental NGOs pushes city governments to develop more comprehensive sustainability strategies to address complex environmental issues. This shows that efforts to improve sustainability at the local level require an approach that considers both types of factors to achieve effective and sustainable results.

The studies above show almost the same thing, namely that internal and external pressure influences policy adoption in each country. Following what Lestari et al (2022) conveyed, the policy adoption process carried out by a country is often influenced by external determinants. Still, it is not enough to explain why a country chooses to adopt a certain policy, thus an analysis of other determining factors or internal factors is needed so that it can capture the complexity of the problems that occur. For this reason, this research aims to analyze how

foreign policies influenced domestic Indonesian policy adoption and dig deeper into why this happened, leading to the adoption of the palm oil moratorium.

Related to this research, RED II is considered as part of the international pressure that played a significant role in influencing the implementation of the moratorium. Even though there had been a lot of internal pressure in Indonesia coming from NGOs, civil society and indigenous communities, the emergence of RED II as external pressure accelerated the implementation of the palm oil moratorium in Indonesia, which was previously quite slow. This pressure arose not without reason, it was due to the influence of socio-economic changes related to expansion trends in Indonesia and also internal dynamics in the bureaucratic aspect, which made it difficult to overcome various palm oil problems heretofore, so that when RED II appeared and was established, this encouraged the acceleration of the establishment of a palm oil moratorium, which for two years had only been a topic of discussion.

B. Research Gap

Previous research has provided a lot of insight into the moratorium in Indonesia. Still, most of it concentrates on the impact of the palm oil moratorium in Indonesia on economic, social and environmental values, but did not examine the specific reasons that pushed Indonesia to implement the moratorium, especially after many regulations and pressure from the EU such as RED II. In simple terms, previous research has identified various negative and positive effects of this policy, including economic growth, social welfare and environmental protection, but has not explored how pressure from international regulations, such as RED II, was able to influence Indonesia's domestic policies such as the palm oil moratorium and the reasons behind it.

This is important because RED II is a policy that limits the import of palm oil that does not meet certain sustainability standards, and as such can directly affect the Indonesian palm oil industry. On the other hand, many studies may be more interested in the direct impacts of moratorium policies, such as economic, social and environmental impacts, rather than the motivations behind such decisions. This is because these impacts are easier to measure and analyze with available data, so there is still limited research that specifically examines the factors that influence these decisions from a policy perspective. The topic of palm oil is a very broad topic, hence indirectly, this research touches on political, economic and

environmental aspects. Thus, it is hoped that it can provide a richer picture regarding the adoption of the palm oil moratorium policy.

C. Theoretical Framework

This research aims to answer the question: How did RED II push the Indonesian government to implement a moratorium policy for the palm oil industry? This research investigates how RED II regulations pressured the Indonesian government to adopt the palm oil moratorium and why this happened. By focusing on the factors that influenced the decisions of this country, this research seeks to provide a deeper understanding of the decision-making in the context of the sustainability of the palm oil industry. To answer this question, this research uses policy adoption theory as the primary theoretical foundation, supplemented by concepts from international pressure and sustainability theory.

Policy adoption itself is part of the decision in selecting policy alternatives. In the process of public policy, policy adoption is defined as the part that occurs after policy formulation. The first study of adoption was mentioned in Elliot's (1981) research, where he stated that policy adoption and policy implementation cannot be separated but are processes that are interconnected and influence each other. Elliot, in his research, uses the 'policy adoption-implementation spiral' model, which is a conceptual framework that outlines the policy-making process from the national to the local level, emphasizing the iterative nature of policy adoption and implementation. This spiral model highlights the ongoing refinement and specification of policies as they move from the national to the local level, taking into account specific needs and context at the local level.

The study of policy adoption originated from the innovation diffusion process, initially established by Walker's research in 1969. Subsequently, this method was further refined and included into the field of public policy by Berry & Berry in 1990. Berry & Berry conducted a study on the implementation of state lotteries in the US throughout the 1960s and 1970s. They used event history analysis to evaluate the factors that impacted the adoption of these lotteries. The authors investigated two categories of explanations for state government innovation: internal determinant models and regional diffusion models. The internal determinant model posits that a country's government innovation is influenced by its social,

political and economic characteristics. These factors include the economic development level, the political party in power and the country's social and demographic characteristics.

In contrast, regional diffusion models suggest that policy adoption by neighboring countries have a significant role in encouraging a country to adopt similar policies. In the palm oil context, the theoretical framework of policy adoption is important to consider, especially in analyzing the factors behind Indonesia's choice of a moratorium. In this research, the pressure by the EU on Indonesia seemed to be a signal that environmental problems caused by palm oil had to be handled progressively. However, Indonesia's initial response was that the policies issued by the EU were unfair and discriminatory (CNBC, 2023).

In Spalding's (1980) research, he highlighted the case of the development of the Mexican Social Security Institute (IMSS) to understand the process of drafting welfare policies in that country as a developing country. From this analysis, two important observations emerged. First, the Mexican government was actively involved in policymaking, although the general view is that developing countries are usually more passive in this regard. Second, factors such as economic and political pressures that used to be very influential in policy making are no longer dominant as time goes by. He further identifies five theoretical approaches that influenced the development of welfare policy in Mexico, including socioeconomic development, the diffusion of policy innovations, the role of interest groups, bureaucratic politics and political elites. Analyzing how RED II was able to influence policy implementation in Indonesia and why this happened is done through the following two aspects, both of which have a significant influence on palm oil in Indonesia, namely socio-economic development and bureaucratic politics.

First, from a socioeconomic perspective. Public policy outcomes are often linked to socio-economic development, which is driven by modernization and economic productivity. In this context of Spalding's phenomenon, the term 'socioeconomic' primarily refers to the economic development and characteristics of a country and society, which significantly influence the development of welfare policies. The level of economic development of a country is considered a major determinant of its welfare policies. In relation to Indonesia, the adoption of the palm oil moratorium policy can be understood through a socio-economic lens that emphasizes the importance of a country's economic development in determining the possibility of its policies. Indonesia, as a country with significant economic growth through

palm oil, being one of the world's main producers of palm oil, faces pressure to maintain sustainable economic growth while meeting global sustainability demands. The high level of economic development provides Indonesia with a surplus of resources that are important for maintaining environmental sustainability. By adopting the moratorium policy, Indonesia is not only trying to comply with EU regulations such as RED II, but also accommodating the demands of the international community for sustainable practices.

The second perspective emphasizes a bureaucratic political approach that focuses on internal dynamics, pressures and complex interaction patterns within the bureaucracy. This approach looks at the role of bureaucracy and government institutions in policy development, where factors such as administrative capacity, bureaucratic interests and internal government dynamics can influence the policy-making process and its implementation. In relation to this research, the bureaucratic aspect can be seen from the existence of internal dynamics, which are defined as interactions and relationships between various entities and government officials that can influence the policy decision making process. Spalding's approach shows that bureaucratic institutional networks have a significant impact on the development of welfare policy. This includes how policies are shaped by bureaucratic interests and interactions between different institutions. In the context of palm oil, internal dynamics can be seen from the overlapping policies and regulations of various ministers, this is also influenced by the decentralization system that applies in Indonesia.

Research by Ardiansyah and Jotzo (2013) shows that decentralization in Indonesia has provided a significant boost to the growth of the palm oil industry but has also had serious environmental and social impacts. Regional governments with greater autonomy are often seen as prioritizing the expansion of oil palm plantations without considering long-term environmental impacts. Deforestation and peatland degradation resulting from this expansion contribute to high greenhouse gas emissions and loss of biodiversity. Additionally, conflicts between local communities and palm oil companies highlight the need for a more balanced and sustainable approach to managing the industry. Even though decentralization is expected to produce a government that is more efficient, effective and responsive in managing natural resources and the environment, in practice, there are still many shortcomings.

Just as Mexico responded to socio-economic challenges, Indonesia responded to environmental and economic imperatives imposed by RED II. Welfare policy frameworks

highlight the role of government intervention in addressing societal needs. The adoption of social security policies is seen as an important step in supporting industrial development and improving overall economic prosperity. Similarly, Indonesia's adoption of the palm oil moratorium can be viewed as a governmental response to balance economic development with environmental conservation. In the context of the moratorium, this is also related to the economic pressure both internally by the local community and from the global community, especially the EU.

When viewed from the government's perspective, research by Rodthong, et al (2023) has examined how the adoption of RSPO policies has been implemented to increase crop yields and address social and environmental problems in Thailand. There is a reason for implementing RSPO practices, namely because of financial support from the Thai government for RSPO-related operations for countries that adopt the RSPO, even though the RSPO is voluntary. However, the sustainable and intensive role of government and institutions is considered very important in implementing RSPO practices there. Government support is the reason for the practice of adopting RSPO standards in Thailand. This shows that these factors are included in the bureaucratic approach aspect as explained above.

On the other hand, research conducted by Ernah, Parvathi and Waibel (2016), which discussed the ISPO and social practices also highlighted the factors behind the implementation of the ISPO by small farmers. The ISPO itself is a desired standard implemented by the Indonesian government in 2011 and is voluntary for small farmers. The research results show that the implementation of the ISPO by small farmers in Indonesia is limited, and there are several factors that influence implementation, such as household and village characteristics, distance to processing factories and the desire to collaborate, influencing the implementation of the ISPO. Farmers closer to processing plants are more likely to adopt ISPO practices due to easier access to markets and greater potential economic benefits. Another reason is because of economic shocks and risks. Farmers' perceptions about reducing the risk of palm oil productivity influence the implementation of the ISPO. Farmers who perceive a decline in productivity are more likely to implement ISPO practices to reduce this risk.

The two studies above discuss the adoption of policy standards in palm oil carried out in Thailand and Indonesia. They illustrate that there is government support in the case of

Thailand, which is the reason for adopting the RSPO, but this is different in the case of Indonesia where the reason for adopting the policy does not come from government encouragement but comes from the farmers themselves as influenced by economic motives and proximity factors.

D. Argument and Hypothesis

In this thesis, I argue that the implementation of the palm oil moratorium in Indonesia was caused by significant pressure from the EU. The EU's continuous pressure until the emergence of RED II became one of the factors that influenced Indonesia to adopt policies that were in line with the demands of these standards in order to maintain market access and Indonesia's image in the global market. This happened because Indonesia was faced with socio-economic and bureaucratic aspects.

In this context, socio-economic changes resulted in continuous land expansion because palm oil has promising commercial value, so it is able to produce greater income. In the bureaucratic context the moratorium emerged as a response to the government's difficulties and challenges in overcoming the palm oil issue. These internal dynamics can be seen from the overlapping regulations and agencies which are also influenced by the decentralized system in Indonesia. The Coordinating Minister for Maritime Affairs and Investment admitted that the overlapping regulations implemented by a number of ministries had caused inefficiencies in the palm oil industry, resulting in a potential loss of state revenue of IDR 172 trillion from the palm oil sector (GAPKI, 2024). The government's difficulty in overcoming problems related to palm oil triggered pressure from the EU, thereby accelerating the adoption of a palm oil moratorium policy in Indonesia. The EU's strict sustainability criteria and the threat of market restrictions for non-compliant palm oil products forced Indonesia to implement policies in line with international sustainability standards.

Therefore, EU pressure due to domestic factors also influenced the implementation of the moratorium policy. Without a lot of significant pressure, it is very likely that the Indonesian government would not have implemented a moratorium. On the other hand, global pressure such as RED II would not have had a big impact if Indonesia did not experience continuous expansion which caused high deforestation due to socio-economic changes. If the Indonesian bureaucracy was able to play a better role in overcoming the problems of deforestation and

environmental sustainability, the possibility of pressure from the EU would not have had much influence on the Indonesian palm oil industry.

Thus the hypothesis is:

The adoption of the palm oil moratorium policy in Indonesia was influenced by significant pressure from the EU, especially after the RED II policy. This pressure forced Indonesia to respond in accordance with sustainability standards in order to maintain market access and its global image. This pressure from the EU occurred because of the continuing trend of oil palm plantation expansion, which had led to deforestation, as well as overlapping regulations and agencies in the bureaucracy, making it difficult to deal with the problems of deforestation and environmental sustainability related to palm oil.

CHAPTER III

RESEARCH DESIGN

A. Research Method

This research was conducted to explore how RED II pushed the Indonesian government to implement a moratorium policy for palm oil and the reasons behind this decision. This study used a qualitative method, this method is important when there is limited knowledge about a subject and the goal is to uncover a new hypothesis, develop new concepts or explain unknown causal mechanisms. The qualitative method is considered ideal for exploratory analysis (Gerring, 2017). In this study, qualitative methods enabled a deep understanding of the external pressure by RED II and its impact on policy adoption in Indonesia. Moreover, this method allows for the examination of the process through which RED II influenced the moratorium on palm oil in Indonesia. Bogdan and Taylor (2010) define qualitative research as a methodological approach that generates descriptive data pertaining to individual verbal attributes and behavior that might be subject to interpretation. Using this method, it is hoped that the research carried out can touch the target and gain a complete understanding. In national-level analysis, a thick approach is used to examine a range of empirical material-case studies in order to understand phenomena using a qualitative method (see Coppedge, 2012, p. 14–23).

B. Case Study

In my research, I employed a case study methodology, which involves doing an in-depth investigation of a specific unit in order to get insights on a broader category of similar units. A unit refers to a phenomenon that is confined inside a certain space, such as a nation-state, a revolution, a political party, an election or an individual observed at a particular moment or period of time (Gerring, 2004). This research uses case studies because case studies allow researchers to explore complex and contextual phenomena in depth, which in this case is how the RED II regulations influenced the palm oil moratorium policy in Indonesia. Case studies provide an ideal framework for analyzing the processes, interactions and mechanisms that occur. The case study was chosen because it involves process tracing (Gerring, 2017), especially in the case of RED II, which influenced the adoption of the moratorium. Process

tracing itself is a methodical investigation of diagnostic evidence that is carefully chosen and examined according to the research question and hypothesis. Process tracing is an analytical technique used to derive descriptive and causal conclusions from diagnostic data. Process tracing is a methodical investigation of diagnostic evidence that is carefully chosen and studied according to the study objectives and hypotheses put forth by the researcher. Process tracing is a methodical approach used to deduce descriptive and causal conclusions from diagnostic data. It is typically employed to analyse a sequence of temporary events or phenomena (Collier, D. 2011).

Furthermore, this research used a single case where Gerring said that research using qualitative data would be more useful if the research focused on a single case (or event) or a small number of cases (or events). According to Pepinsky (2019), a single country study refers to research that solely relies on empirical data from a single country. Put simply, the country serves as the unit of analysis, and a study that focusses on a single country is typically referred to as a single case study. The country can be considered as a case, but the focus of analysis is on the people, location, institution or process that has several observations of the case. In this case, the richness and depth of qualitative data allow for a comprehensive understanding of the specific context and complexity involved. This is relevant for this research, because the focus is on the specific case of Indonesia's response to RED II and its influence on the adoption of the moratorium policy, especially on the dynamics and mechanisms involved in the process of adopting the moratorium policy in response to RED II.

This study focuses on Indonesia as the largest palm oil producer in the world, which has a significant impact on the global palm oil industry and is often in the literature on sustainability issues. In addition, Indonesia has geographic, demographic and political characteristics that can provide in-depth insight into variations in sustainability policies and practices. Indonesia is a vast archipelagic country with diverse ecosystems ranging from rainforests to agricultural land. Due to its huge size, there are many different challenges and opportunities for implementing sustainability initiatives. In addition, the country's large and diverse population, consisting of different ethnic groups and different levels of economic development, influences how sustainability policies are received and implemented at the local level. Also, politically, the formulation and implementation of sustainability policies are

influenced by complex governance in Indonesia, which consists of central, provincial and regional governments. This can be seen from Indonesia's policies and outcomes in addressing the issue of sustainable palm oil production.

In this regard, to examine the palm oil moratorium policy and its relation to external pressures, especially from the EU such as RED II, I divided it into two periods to explore how this variable works: First, before the moratorium and second, after the moratorium. The period before the adoption of the palm oil moratorium policy was seen from the previous regulations until the emergence of the RED II regulations, starting from 2009-2018, such as RED I, anti-dumping measures, environmental impact assessments, sustainable palm oil requirements (RSPO), palm oil and deforestation and RED II. Then, the second period is looked at from the adoption of the palm oil moratorium policy until the end of the policy, namely 2018-2021.

C. Data Collection

The data analysis technique employed in this study is based on the theory proposed by Miles and Huberman (1992). It encompasses the stages of data collection, data reduction, data presentation and drawing conclusions. Data collection is the first stage of the data analysis process. At this stage, data is collected through various methods, such as observation, interviews and distributing questionnaires. However, in this research, data collection relied on secondary sources, such as previous studies, government reports, news articles, legal documents (laws or regulations and relevant research related to the issue). Because the topic of palm oil is a complex issue and is important for the needs of many people in several countries, many experts in political science, policy, economics and the environment have conducted research on palm oil, especially in Indonesia as the country with the largest consumption and production of palm oil in the world.

Additionally, I conducted semi-structured interviews with two members of the NGO the Institute for Community Studies and Advocacy (ELSAM) in Indonesia to explain and explore limited secondary data sources describing conditions in Indonesia. This was done on the grounds that there is a need for an NGO perspective that focuses on issues regarding palm oil because it can provide an objective view of the impact of policies and regulations, as well as of how external pressures such as RED II influence domestic policies. In addition, NGOs

often act as monitors and critics of government policies and are considered more open and transparent in sharing information and their views, so they can reveal information about this issue.

Next, the data reduction stage is the second stage of the data analysis process. Extensive palm oil research provides a very rich source of data. Still, at this stage, data that has been collected from various sources, as mentioned above, is added or subtracted and simplified to facilitate further analysis. This process includes sorting, grouping and organizing data, thus eliminating irrelevant data, merging similar data and transforming raw data into a form that is easier to understand. The third stage is data presentation, where the data analysis process occurs. At this stage, the data that has been reduced and simplified is presented in a form that is easy to understand. Data presentation is carried out through several tables, graphs, diagrams or narratives. Finally, conclusions. At this stage, I use the data that has been presented to draw conclusions. This process involves interpreting data, identifying key findings and drawing implications from those findings.

This research used narrative analysis to support the analysis of the data. Narrative analysis is a qualitative research tool that is expected to be helpful for this research in order to reveal the ideas and motivations of research subjects that are not expressed explicitly in the research. In this research, I tried to investigate how Indonesia responded to RED II with a moratorium, why it happened through various reading sources such as other relevant research, news and related documents, as well as conducting interviews with an NGO only for supporting data, thus at the end the researcher recounts the results of the analysis through a narrative chronology.

The analysis involves essential data that is not only related to the context of the study but also closely related to the time, place and characteristics of the explanation, which is expected to be rich and robust. By analyzing narratives, this research can reveal every action and reaction that occurred during the policy making process. This allows researchers to see how the various actions and responses of the parties involved influenced each other. So this research can produce conclusions regarding the process and relationship between external pressure from RED II and the steps taken by the Indonesian government. This approach helps in understanding how the palm oil moratorium policy was adopted as a response to RED II regulations.

CHAPTER IV

RESEARCH RESULTS AND DISCUSSIONS

Palm Oil, Sustainability and Moratorium

A. Palm Oil Industry

Globally, the palm oil industry has become the subject of debate, especially in the context of environmental and social sustainability. As one of the world's most important agricultural commodities, palm oil accounts for the majority of the world's supply of vegetable oil and is used in a variety of consumer and industrial products. Nevertheless, the expansion of the palm oil sector is also followed with concern regarding negative effects on the environment, including deforestation, habitat degradation, land conflicts and socio-economic impacts on local communities. In an effort to address emerging sustainability issues, many countries have called for the adoption of more stringent and environmentally conscious policies and strategies in the palm oil industry, especially in Indonesia, as the largest producer of palm oil in the world.

The oil palm plantation business began to expand during the New Order era. Starting in 1967, the government encouraged the exploitation of oil palm plantations by state plantation companies (PNP) and large private plantations (PBS). A decade later, the government began to initiate the growth of community plantations through the community core plantation (PIR) pattern with partnerships between farmers as plasma and PNP and PBS as the core (Ishak, et al., 2017). In 1980, when the government changed the plantation scheme, this sector grew rapidly. State-owned plantations were only allowed to operate before 1980, but after 1980, smallholder plantations and private plantations were also allowed to operate (Yusuf, et al., 2018).

Currently, the palm oil industry is recognized as having a crucial role in the economy. It is the main source of foreign exchange, drives the national economy, ensures energy independence, stimulates the economic sector for the people and creates job opportunities (Purba & Sipayung, 2018). This is because palm oil is a vegetable oil whose uses are very broad and varied because it has a very high production value and components that humans need compared with other products (Isharyadi, et al., 2021). Based on its content, palm oil is

generally used as a raw material for food, pharmaceutical, cosmetic, oleochemical and biofuel products. Therefore, its many uses have encouraged increased production, especially in major palm oil-producing countries such as Indonesia.

For this reason, Indonesian oil palm plantations are developing rapidly and reflect the oil palm plantation revolution. For two decades, Indonesia has been the largest palm oil producer in the world and plays an important role in the global industry (Isharyadi, et al., 2021; Cisneros, et al., 2021). The government of Indonesia prioritized palm oil development due to its significant economic value to the Indonesian economy. To promote this development, the government implemented different initiatives (Casson, 1999). Indonesia is the leading global palm oil producer, with production of around 45.58 million tonnes in 2022, followed by Malaysia with production of around 18.45 million tonnes (Statista, 2023), and they generated more than 83% of the world's palm oil. In 2021, Indonesia exported around 34.2 million tonnes of palm oil, an increase of 0.6 % compared with 2020 at 34 million tonnes (CNN, 2022).

Within the import-export framework, the palm oil business serves as a prominent export commodity. In the Indonesian context, it significantly contributes to the country's foreign exchange revenues. Palm oil is a prominent export commodity, making a substantial contribution to the Indonesian foreign exchange reserves. Based on data from the Central Statistics Agency (BPS), the revenue generated from palm oil exports has grown consistently each year. The revenue generated from palm oil exports amounted to USD 20.21 billion in 2019, increased to USD 22.96 billion in 2020, and had a significant surge to USD 36.21 billion in 2021. Indeed, in 2021, the Indonesian palm oil industry achieved its greatest-ever foreign exchange profits.

According to the chairman of the Indonesian Palm Oil Entrepreneurs Association (GAPKI) East Kalimantan (Disbun Kaltim, 2014), the oil palm plantation sector is one of the pillars of Indonesia's national economy. When the monetary crisis and global economic crisis hit the world, including Indonesia, the palm oil sector was among the most resilient. Indonesia, being the largest producer of palm oil globally, has generated employment opportunities for a total of 16 million individuals, both directly and indirectly, within the palm oil industry (Ministry of Economy, 2021). This demonstrates that palm oil is a pivotal commodity in

Indonesia's economic progress and cannot be disregarded due to its significant impact on the livelihoods of numerous individuals.

B. Palm Oil Sustainability

The debate about the concept of sustainable development never ends because the literature is very broad (Redclift, 2005). The notion of sustainability started to gain prominence in the 1970s as a result of growing apprehensions over the impact of human activities on the earth's natural resources, particularly after the publication of the 'Limits to Growth' report by the Club of Rome. The renowned notion of sustainable development was created by Brundtland: 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (Enden, 2013). Therefore, the concept of sustainability is closely related to the concept of multidimensional linkages that link environmental, economic and social dimensions (which is called the Triple Bottom Line) (Elkington 1997 in Enden, 2013).

In general terms, sustainable development is an approach that is quite holistic with the objective being to fulfil present needs while protecting the capacity of future generations to fulfil their own needs. This concept integrates the complex relationship between social welfare, economic development, public health and environmental management. The global consensus regarding sustainable development is strengthened through the implementation of the UN's 2030 Sustainable Development Agenda, which outlines 17 SDGs that must be achieved by 2030 and basically aim to overcome various global challenges. Therefore, many countries, including Indonesia, have committed to achieving the SDGs by 2030, where the big goals are to overcome climate change, achieve sustainability, end poverty and inequality, and protect the environment (UN, 2020).

The sustainable concept, in the context of palm oil is an approach that prioritizes production procedures and management that are environmentally and socially responsible. This practice basically aims to reduce negative impacts on the ecosystem and surrounding communities while still supporting sustainable economic growth. This process involves the protection of tropical forest, peatland, areas of high conservation value (HCV), forests with high carbon stocks and other significant habitats. Furthermore, this notion necessitates adherence to established legal and land rules, while also respecting the rights of indigenous and local

populations, in accordance with internationally recognized standards on human rights and workers' rights (Spencer, et al., 2019).

Therefore, achieving sustainability in the palm oil industry involves addressing several critical challenges by considering several aspects of the concept of sustainability. However, the expansion of oil palm plantations in Indonesia is increasingly causing problems. Thus, this impact increases negative views toward palm oil products. Oil palm plantations have expanded dramatically, particularly in Indonesia, leading to substantial deforestation and biodiversity loss. Fitzherbert, et al., (2008) highlight that oil palm plantations support significantly less biodiversity compared with natural forests and other tree crops, underscoring the critical impact on tropical deforestation and biodiversity loss.

Koh and Wilcove (2008) discovered that the conversion of main or secondary forest into oil palm plantations leads to substantial reductions in biodiversity, while Pirker et al. (2016) assessed the suitability of land for future oil palm expansion, finding that while 1.37 billion hectares of land globally are suitable for cultivation, significant portions are either protected or allocated for other uses, emphasizing the need for stringent criteria to ensure sustainable expansion, such as avoiding high carbon stock forests and considering accessibility constraints. Furthermore, a number of studies show that the development of plantations producing palm oil can have a number of negative effects, such as the extinction of wildlife, deforestation and forest degradation, as well as increased emissions of greenhouse gases, which are thought to be the main cause of climate change. In addition, this impact also conflicts with other global treaties, such as the Paris Agreement, the Kyoto Protocol and the 2030 Agenda for SDGs (Ishak, et al., 2018). Therefore, the creation of oil palm plantations in Indonesia is widely regarded as unsustainable and is acknowledged as the main cause of deforestation and the loss of wildlife habitats. Because of these negative impacts, the EU has taken various steps against palm oil. This is because European countries are the main consumers of palm oil, especially in the food, cosmetics and biofuel industries. However, increasing environmental awareness among European consumers is fueling demand for more sustainable products. The EU has taken various steps to reduce the negative impacts of the palm oil industry. For example, in 2018, the European Parliament passed RED II to stop the use of palm oil in biofuels by 2030. This policy aims to reduce deforestation and encourage more sustainable production. In addition, the EU is also introducing stricter regulations on the

labeling of products using palm oil to ensure that the products meet certain desirable standards. This step was taken to encourage companies to switch to more environmentally and socially friendly practices. In terms of certification, the EU also sets certification standards such as the RSPO. This certification stipulates that companies wishing to export palm oil to Europe need to comply with these standards to ensure that their products do not contribute to deforestation or human rights violations.

C. Palm Oil Moratorium

A moratorium is a legal policy that grants authorization to delay specific things or obligations for a designated period of time (Cambridge Dictionary). The palm oil moratorium has been in existence since the tenure of President Susilo Bambang Yudhoyono's administration. Inpres No. 10/2011, issued on May 20, 2011, was subsequently prolonged by Inpres No. 6/2013. Afterward, President Widodo extended the moratorium by means of Inpres No.8/2015. Nevertheless, the moratorium strategy implemented throughout that period was deemed inadequate (Aji, S 2019). This is confirmed by two facts. Initially, the government continued to authorize forestry and plantation permits by making changes to the areas covered by the moratorium and by allowing the use of forested lands. The moratorium area was reduced by 5.055 million hectares between 2011 and 2013. However, in 2015, the moratorium area expanded by 2.35 million hectares. This suggests that there was a lack of uniformity in the implementation of the moratorium area, which consequently created possibilities for issuing new permits, including those for forestry and plantation businesses, by realizing forest areas (Firmansyah N, 2017)

Furthermore, extensive deforestation and land burning continued to occur during the establishment of oil palm plantations, particularly on the three primary islands of Indonesia: Sumatra, Kalimantan and Papua. In 2015, fires on approximately 2.6 million hectares of oil palm plantation were estimated to cause losses amounting to IDR 221 trillion (World Bank, 2016).

Various civil society organizations, including Sawit Watch, HuMA and ELSAM, exerted significant pressure on the Indonesian government. These pressures related to issues such as the low productivity of oil palm plantations, the risk of forest and land fires, conflicts over land ownership, the establishment of plantations that did not adhere to planning regulations,

unauthorized plantation, exploitative labor practices in oil palm plantations and inconsistencies in policies regarding peat ecosystems. As a result of this pressure, the government was compelled to implement a moratorium on palm oil production (Firmansyah N, 2017)

Therefore, on April 14, 2016, during the commemoration of International Forest Day on Karya Island, Seribu Islands, at the National Movement to Save Wild Plants and Animals, President Widodo started to prepare a moratorium on palm oil by saying, 'Prepare a moratorium on palm oil, prepare a moratorium area for mining areas'. According to the President, the current palm oil land was deemed enough and the production capacity could be further enhanced by fully utilizing the present potential (KLHK, 2016). Subsequently, after a span of two years, namely on Sept. 19, 2018, the President issued Inpres No. 8/2018, which pertains to the deferment and assessment of licenses for oil palm plantations, as well as the expansion of such plantations. This instruction is generally referred to as the Palm Oil Moratorium Presidential Instruction.

This Inpres was prompted by various underlying issues in oil palm plantations, such as inadequate management of sustainable oil palm plantations, legal ambiguity, environmental sustainability concerns, including the reduction of greenhouse gas emissions, the necessity to support the development of oil palm farmers and the imperative to enhance palm oil productivity. The draft Inpres outlined a policy that sought to enhance the sustainable management of oil palm plantations, ensure legal clarity, uphold environmental sustainability by reducing greenhouse gas emissions and improve the productivity of oil palm plantations. Hence, the imposition of a moratorium and the assessment of oil palm plantations are regarded as opportune moments to enhance the governance of oil palm plantations in Indonesia (according to a report by several NGOs, 2019)².

This Inpres was given to several ministers and regional heads to share responsibility for implementing and reporting the moratorium policy. The individuals encompassed in this

² Sawit Watch, Greenpeace Indonesia, Indonesian Center for Environmental Law (ICEL), Yayasan Madani Berkelanjutan, Pusat Lembaga Studi dan Advokasi Masyarakat (ELSAM), Jaringan Pemantau Independen Kehutanan (JPIK), Serikat Petani Kelapa Sawit (SPKS), Walhi Sulawesi Selatan, Forest Watch Indonesia (FWI), Japesda, Jaringan Kerja Lembaga Pelayanan Kristen (JKLPK), Kemitraan Partnership, Bahtera Alam, Elpagar, Kaoem Telapak, PLH Kaltara Konsorium pendukung Sistem Hutan Kerakyatan (KPSHK)

groups were the Minister of Agriculture, Minister of Home Affairs, Minister for Economic Affairs, head of the Investment Coordinating Board, Minister of Agrarian Affairs and Spatial Planning, National Land Affairs, governors and regents/mayors. The work model used in this palm oil moratorium was that data and information would flow from districts/cities to the national palm oil moratorium working team via provinces, where the government issued several priority areas, namely North Sumatra, Jambi, Riau, South Sumatra, West Kalimantan, Central Kalimantan and East Kalimantan. This was in line with the assumption that these areas were the areas with the largest oil palm plantations, among others, meaning that through these seven priority areas more than half of the oil palm plantations would be reached.

However, the moratorium was only valid for three years and there has been no statement whether it will be continued, even though this policy is considered to have shown results, although not optimal, for example the action of the West Papua administration together with the Corruption Eradication Commission, which reviewed the permits of 30 palm oil companies over the last two years, and finally revoked dozens of oil palm plantation permits, and was able to save around 267,856 hectares of land/forest (Mongabay, 2021). An additional study conducted by Suroso, A. I., Pahan, I. and Maesaroh, S. S. (2020), discusses the effect of the moratorium on the rejuvenation of smallholder oil palm farms and the possibility of increasing productivity. The research results show that the policy environment (41.29%), policy stakeholders (35.72%) and public policy (23%) are each responsible for this problem.

The moratorium policy has not succeeded in improving Indonesia's forest management. In fact, opportunities for economic growth in the palm oil industry were closed by this policy. The sustainability of national palm oil production is threatened by obstacles to the extensification and intensification of small farmers. Therefore, to increase plantation productivity, improve plant genetics, achieve better legality and law, enforcement of the moratorium policy is needed. Research by Maesarah, Suroso, Pahan (2018), identify the factors that influence the moratorium policy and its impact on national palm oil production. The research results indicate that law enforcement, conflict resolution, sustainability, land conversion and deforestation are key factors influencing the success of the moratorium. Various challenges related to those factors show that the implementation of the moratorium is

not optimal. During the six years in which it has been in effect, the moratorium has affected the sustainability of palm oil production in Indonesia.

Result and Discussion

A. European Union Pressure: RED II

At the global level, sustainability challenges in the palm oil industry have become the focus of significant attention, especially in Indonesia. In the previous background, it was explained that many countries are facing great pressure to overcome sustainability problems in their palm oil production, which are not only related to climate change but also involve economic, policy and political aspects. Therefore, the palm oil industry in Indonesia has attracted the attention of many researchers in recent years.

In this research, the question regarding how RED II was able to influence the adoption of the palm oil moratorium and why this happened has become the center of discussions involving that country as the largest palm oil producer in the world. Indonesia, with a significant share of the global market, including the EU, faced increasing pressure regarding the environmental impacts caused by the palm oil industry. In response to this pressure, Indonesia decided to take several firm steps, one of which was to adopt a moratorium policy. This decision reflects its determination to deal with increasingly complex environmental challenges. Following what Lestari et al. (2022) conveyed, the policy adoption process carried out by a country is often influenced by decisions abroad. Still, it is not enough to explain why a country chooses to adopt a certain policy. For this reason, this research aims to analyze how foreign policies influence domestic policy adoption and dig deeper into why the palm oil moratorium was adopted.

In the context of palm oil, global pressure from EU is analyzed as a factor that caused the implementation of the palm oil moratorium in Indonesia. This is in line with the phenomenon of palm oil or crude palm oil (CPO) becoming one of the promising commodities in the global market. Demand for CPO continues to increase, especially in countries that use biofuels as a renewable energy source. Based on its content, palm oil is generally used as raw material for food, pharmaceutical, cosmetic, oleochemical and biofuel products (Isharyadi, 2021).

Therefore, its various uses in the world have encouraged an increase in production on a large scale. World CPO demand for the 2020s is projected to increase from 47.6 million tonnes in

2020/2021 to 50.6 million tonnes in 2021/2022. In addition, the largest demand for CPO imports comes from India, with a slight increase from 8.5 million tonnes in 2020/2021 to 8.6 million tonnes in 2021/2022 (Katadata, 2023). Likewise, demand for CPO from China and the EU continues to increase from year to year. Based on a US Department of Agriculture (USDA) report, global palm oil production is projected to reach 244.5 million tonnes in 2022/2023. The 10 biggest consumers of palm oil in the world in 2022/2023 are:

Table 2. 10 Largest palm oil consuming countries

| No | Country | Consumption (tonnes) |
|-----|--------------------------|----------------------|
| 1. | Indonesia | 18,690,000 |
| 2. | India | 9,000,000 |
| 3. | China | 6,300,000 |
| 4. | European Union | 4,700,000 |
| 5. | Malaysia | 3,600,000 |
| 6. | Pakistan | 3,545,000 |
| 7. | Thailand | 2,635,000 |
| 8. | United States of America | 1,889,000 |
| 9. | Nigeria | 1,790,000 |
| 10. | Bangladesh | 1,610,000 |

Source: Katadata, 2023

From the table, it can be seen that Indonesia had the largest consumption of palm oil in the world in 2022/2023, namely 18.69 million tonnes or the equivalent of 24.84% of total global palm oil consumption, followed by India, China and the EU. This is because palm oil is quite cheap, efficient and stable, used in various food products and cosmetics and is also used as a source of fuel or biodiesel (BPBD, 2018). Currently, Indonesia exports palm oil to Asia, Africa, Australia, America and Europe (BPS, 2023).

Palm oil is one of Indonesia's main export commodities. It makes a major contribution to the country's foreign exchange earnings. However, despite its large economic potential, the palm oil industry has faced many significant challenges related to sustainability issues. As a

commonly used biofuel, palm oil is often at the center of attention in debates regarding its environmental impact, issues of environmental sustainability and social justice are the main principles that must be adhered to by palm oil-producing countries, such as Indonesia. The expansion of oil palm plantations is often the cause of deforestation problems, loss of wildlife habitat and environmental degradation.

In addition to that, the spread of oil palm plantations and the palm oil trade gives rise to several social difficulties, including conflicts, both social and land-related, the marginalization of indigenous peoples and their means of living, disputes over labor relations, trade issues and the loss of biodiversity (Marti, 2008; Koh, 2008). These issues have raised international concerns and led to pressure on palm oil producers, including Indonesia, to adopt more sustainable practices in their production. Although anti-deforestation pressure on the palm oil sector at local and international levels also occurs in other countries (Mukherjee and Sovacool, 2014), this pressure is much greater in Indonesia. This is due to the fact that in Indonesia, most land use changes are caused by direct expansion into primary rainforest and peat forest areas (Varkkey, 2018).

A Time Toast report on Jan. 1, 2007, stated that illegal logging and oil palm planting occurred in 37 of the 41 national parks in Indonesia, making palm oil production the main cause of deforestation (CNBC, 2023). Then, on April 4, 2017, the European Parliament passed the resolution ‘Palm Oil and Rainforest Deforestation,’ stating that the palm oil industry is the main cause of deforestation and climate change. The ultimate goal of this resolution was to ban the import of palm oil and its derivative products that violate sustainable development into the EU by 2020 (European Parliament, 2017)³ and prevent its derivative products from being used in the EU's biodiesel program in the same year. Concerns about the negative impact of expanding oil palm plantations on the environment, especially related to deforestation and land use changes, led to this step being taken. One of the statements in the resolution is:

‘Notes that 73% of global deforestation arises from the clearing of land for agricultural commodities, with 40% of global deforestation caused by conversion to large-scale monocultural oil palm plantations; Recalls that Malaysia and Indonesia

³ See draft in https://www.europarl.europa.eu/doceo/document/TA-8-2017-0098_EN.html

are the main producers of palm oil, with an estimated 85-90% of global production, and welcomes the fact that Malaysian primary forest levels have increased since 1990 but remains concerned that current deforestation levels in Indonesia are running at a rate of -0.5% total loss every five years; Recalls that Indonesia has recently become the third highest polluter of CO₂ in the world and suffers from decreasing biodiversity, with several endangered wildlife species on the verge of extinction' (European Parliament, 2017).

Not only that, the fate of Indonesian palm oil is also impacted by the EU's RED policy, which is a series of accumulated steps regarding renewable energy policy. This policy was first established by the EU through Directive 2001/77/EC, which discusses the transformation of renewable energy consumption for the electricity generation sector. This policy encourages increased consumption of renewable energy such as biomass, wind power, solar power and geothermal energy, and sets increased targets for member countries. Furthermore, related policies were also established through Directive 2003/30/EC to regulate fuel consumption in transportation vehicles with a target for the availability of biofuel as a renewable energy source. These two policies support the EU's commitment to the Kyoto Protocol in reducing CO₂ emissions from fossil energy consumption.

Then in 2007, the European Commission announced the Renewable Energy Roadmap to direct renewable energy consumption policies for member countries. This policy emphasizes that energy policies must be sustainable, competitive and ensure security of energy supply. As a renewal and manifestation of the EU's commitment, Directive 2009/28/EC or RED I was finally established. The EU aims to regulate the biofuel business through its renewable energy strategy, focusing on the development of second generation biofuels. These biofuels are derived from reserves and residual agricultural products, ensuring that they do not negatively impact food or forest stability.

These requirements subsequently influenced the production of biodiesel made from palm oil and other plants. These criteria stipulate that biofuel products must be derived from production activities that are both ecologically benign and sustainable. The EU will exclude biofuels derived from plants cultivated in ecologically sensitive areas, such as primary forest, protected forests, or regions that might harm ecosystems and carbon-rich soils. According to

article 17, the sustainability standards requires that the biofuel produced should be capable of reducing greenhouse gas emissions by a minimum of 35% in comparison with the usage of fossil fuels. This article establishes regulations for the technical utilization of biofuel, encompassing aspects such as the selection of raw materials, the manufacturing process and the quantity of biodiesel generated, all aimed at mitigating the effects of greenhouse gas emissions (Directive, 2009: 28)

Since its launch on June 25 2009, RED has become the main control mechanism for monitoring biofuel consumption. The EU seeks to guarantee a stable energy supply and reduce greenhouse gas emissions by switching from fossil fuels to renewable fuels, such as biofuels. RED advocates the use of biofuels in daily activities, including transportation, in EU member countries (Schaus and Lendle, 2010). This regulation sets targets for the use of renewable energy for each member country. This agreement also sets out criteria that allow biofuels to be included in these renewable energy targets.

In order to improve climate conditions between 2020 and 2030, the European Parliament revised the RED draft in 2018 to create RED II. This actually started to be discussed in 2016, when the European Commission published the 'Clean Energy for the Entire European Community' initiative. As a component of this package, the Commission implemented legislative measures to revamp RED. In the context of cooperative decision-making procedures, the EU institutions reached an agreement in June 2018 on the final compromise language, which was subsequently designated as RED II. The EU increased its objective for the consumption of renewable energy sources to 32% by 2030 in RED II, up from the previous target of 27%. The regulation forbids the use of biofuels derived from palm oil in Europe after 2021 because it is linked to the issue of deforestation. This policy includes implementing regulations or delegation acts that restrict the use of biofuels in the category of high ILUC or areas that are at a high risk of indirect land conversion. Additionally, the policy limits the expansion of production areas to land with high carbon stocks, ensuring that consumption levels in 2019 are not exceeded (European Parliament, 2018). In the elaboration article of RED II No (81) it is stated that:

‘Indirect land-use change occurs when the cultivation of crops for biofuels, bioliquids, and biomass fuels displaces traditional production of crops for food and feed purposes. Such additional demand increases the pressure on land. It can

lead to the extension of agricultural land into areas with high-carbon stock, such as forests, wetlands, and peatland, causing additional greenhouse gas emissions’.

The contribution of specific material types will be phased down by 2030 in order to meet the EU's renewable energy targets. As a result, beginning in 2019 and ending in 2030, the usage of palm oil as a raw material for biofuels will dramatically decrease. In order to satisfy renewable energy requirements, parties that are deemed capable of doing so will aggressively replace the biofuels that will be gradually phased out under the agreement in the EU's RED II version (Palm Oil Today, 2018). In contrast, the choice to omit palm oil is viewed as a step toward the objectives of RED II, which are to support renewable energy sources and lower greenhouse gas emissions globally. One of the main concerns of the EU regarding environmental issues is optimizing energy use in industrial countries so that it does not have a large impact on the environment.

Additionally, the EU's Anti-Deforestation Law adds more regulations that expand the current rules. This regulation was issued on Dec. 6, 2022 and came into effect in Indonesia in 2023. This regulation was issued following a lot of public pressure because EU countries are the main consumers of commodities related to deforestation or forest degradation. It is recorded that the EU imports annually 85 billion euros worth of the commodities and products specified in this regulation (Kompas, 2023). This has an impact on Indonesia because the EU imports huge volumes of commodities from Indonesia, such as palm oil (83.3%), wood (8.4%), rubber (6.5%), coffee (1.3%), cocoa (0.5%) and soybeans and beef with figures of less than 0.1%.

On the other hand, as stated by Indonesia for Global Justice (igj, 2018), the European Parliament implemented a policy banning the import of CPO and its derivative products due to five main reasons. These reasons include the belief that palm oil contributes to deforestation, the destruction of animal habitats, corruption, the exploitation of children and human rights violations. Furthermore, this law categorizes palm oil as a commodity that poses a significant threat to forest degradation and indirect changes in land use.

These reasons were considered sufficient for the EU to disqualify palm oil from the biofuel raw materials they use. Through these steps, the EU is committed to gradually reducing palm oil biodiesel consumption and plans to stop it completely by 2030. This effort is a step to

show the EU's seriousness in maintaining environmental sustainability. It acts as a strong encouragement for palm oil producers around the world, including Indonesia, to adopt more sustainable practices in their industries. The following are EU regulations that have an impact on Indonesian palm oil:

Table 3. EU Regulations Affecting Indonesia

| No | Regulations | Year | Description |
|----|---|------|---|
| 1 | Renewable Energy Directive (RED) | 2009 | The rule mandates a 27% utilization of renewable energy, which encompasses biofuel. Consequently, this regulation diminishes the demand for palm oil-based biofuel from Indonesia in the European market due to its perceived contribution to deforestation. |
| 2 | Anti-Dumping Measures | 2013 | The implementation of additional duties on palm oil products, which are believed to be marketed at prices below the market value in Europe, will raise the cost of palm oil products imported into Europe and diminish the price competitiveness of Indonesian palm oil products. |
| 3 | Environmental Impact Assessments | 2014 | The requirement for companies to assess the environmental impact of their operations increases operational costs and potential project delays for Indonesian palm oil producers seeking to enter the European market. |
| 4 | Sustainable Palm Oil Requirements | 2015 | The EU is pushing for the implementation of sustainability standards for imported palm oil products, such as RSPO so that Indonesian palm oil producers must meet higher sustainability standards, which could increase production costs |
| 5 | Palm Oil and Deforestation of the Rainforests | 2017 | European Parliament resolution urging the EU to adopt stricter policies regarding palm oil and deforestation, thereby putting pressure on palm oil |

| | | | |
|---|---|------|--|
| | | | producers to comply with higher environmental standards and reduce deforestation. |
| 6 | Renewable Energy Directive II (RED II) | 2018 | Implementing a renewable energy consumption target of 32% as mandated by RED II has led to a decrease in the demand for palm oil-based biofuels from Indonesia in the European market. This is due to the strict restrictions imposed on biofuels derived from materials, such as palm oil, that pose a significant risk of deforestation. |
| 7 | Delegated Regulation on Indirect Land Use Change (ILUC) | 2019 | Palm oil is classified as a high-risk biofuel due to its association with land use change, which diminishes its competitiveness as a raw material for biofuel production in Europe, mostly due to concerns about ILUC. |
| 8 | Due Diligence Regulations (EUDDR) | 2021 | Companies operating in Europe must conduct due diligence on their supply chains to ensure that no products are linked to deforestation or human rights violations, thereby increasing the administrative and compliance burden for Indonesian palm oil exporters and the potential loss of market access if they do not meet requirements. |

Source: processed by Author from various sources, 2024

The table above illustrates the various regulations issued by the EU affecting the palm oil industry. These regulations cover various aspects such as environmental sustainability, renewable energy policies, environmental impacts and international trade provisions. These regulations have significantly affected the Indonesian palm oil industry by reducing market access, increasing production costs and pressuring producers to comply with higher environmental and sustainability standards set by the EU.

Pressure from various parties, including environmental organizations and civil society, as well as demand from the global market for more sustainable products, is pushing Indonesia to

take more proactive steps in addressing the negative impacts of the palm oil industry. One of these is the palm oil moratorium policy. This is in line with the statement by the head of the Environmental and Forestry Instrument Standardization Agency (BSILHK) Ary Sudijanto (Kompas, 2023) in his written remarks who said, 'The Indonesian government has taken various steps to improve palm oil governance, including regulatory reform and law enforcement, permit moratoriums and audits, to conflict resolution.' This policy was first implemented in 2011 and has been extended several times, with the main aim of delaying the issuance of new permits and evaluating existing permits.

In response to this, Indonesia indirectly finally adopted a moratorium policy as an effort to stop deforestation through Inpres No. 8/2018, which was signed by President Widodo on Sept. 19, 2018 concerning the postponement and evaluation of permits and increasing the productivity of oil palm plantations. This followed a lot of pressure from civil society groups initiated by Sawit Watch, HuMA and ELSAM, such as the low productivity of Indonesian oil palm plantations, the potential for forest and land fires, agrarian conflicts, plantations that do not comply with planning, plantations without permits, modern development slavery practices in oil palm plantations and policy inconsistencies in peat ecosystems (Firmasyah N, 2017). However, this does not mean that Indonesia specifically stipulated a moratorium on palm oil. If we look, the moratorium discourse actually existed two years before the enactment of this policy when President Widodo said 'Prepare a moratorium on palm oil' (KLHK, 2016). However, this never came about until there was pressure from the EU.

The Inpres was prompted by various underlying issues in the oil palm plantation sector, such as inadequate management of sustainable oil palm plantations, lack of legal clarity, environmental sustainability concerns including the reduction of greenhouse gas emissions, the necessity to support the development of oil palm farmers and the imperative to enhance palm oil productivity. The draft Inpres outlines its objectives as enhancing the sustainable management of oil palm plantations, ensuring legal clarity, upholding environmental sustainability by reducing greenhouse gas emissions and promoting the expansion of palm oil cultivation. Additionally, it aims to support palm oil farmers and enhance the productivity of oil palm plantations. Hence, the imposition of a moratorium and the assessment of oil palm plantations are regarded as opportune moments to enhance the management of oil palm plantations in Indonesia (report by several NGOs, 2019).

Inda Fatinaware, executive director of Sawit Watch in Mongabay (2021), said that the Moratorium Inpres was an answer to international market demands for sustainable palm oil. This policy is a tool for the Indonesian government to improve governance in order to produce palm oil that is acceptable to the global market. The moratorium in this context is seen as a bargaining chip to show that Indonesia was making efforts to encourage sustainability even though standards for meeting sustainable palm oil production are also continuing to be implemented, for example, through the ISPO. However, the ISPO has not yet been accepted in the international arena because the standards are still considered weak compared with the RSPO and the MSPO in Malaysia.

Research by Wulandari and Nasution (2021) concluded that the RSPO and MSPO standards are higher with regard to labeling indicators, levels of trust, fair treatment for small farmers, small farmer credit, farmer market access and conflict resolution compared with the ISPO, with scores of 77, 62 and 56, respectively, the ISPO gets the lowest points among the RSPO and MSPO, because the ISPO has less detail and fewer requirements. Additional research conducted by the Forest Peoples Program (2017) reveals that, with a total score of 102, (MSPO, 62, and ISPO, 34), the RSPO has the most comprehensive certification system. In contrast, the ISPO has the poorest certification process and the fewest social issue requirements. There are still readiness challenges from related institutions, farmers and local governments, which are significant obstacles to implementation (Kinseng, 2022).

In the context of policy adoption, the application of the above rules is one of the mechanisms in the aspect of coercion, which can basically be defined as a situation where a country's policy choices are limited. Dobbin et al. (2007) discuss coercion with reference to the concepts of conditionality, policy leadership and hegemonic ideas. For example, we can say that the policy issued by the EU is a requirement that limits palm oil imports, especially for Indonesia. It cannot be denied that the issuance of the RED II policy has had an impact on losses for the Indonesian palm oil industry related to production capacity and CPO exports because one of Indonesia's largest CPO export destination markets has disappeared. Even though palm oil is an important export for Indonesia to the EU, its volume decreased drastically from 2018 to 2020. From 6.55 million tonnes in 2018 to only 5.12 million tonnes in 2020, a decline of 22% over two years. Meanwhile, the share of Indonesian palm oil exports to Europe has decreased below 15% of total Indonesian palm oil exports, with the

share of EU exports decreasing from 16.3% in 2018 to only 13.6% in 2020 (BPBD, 2021). The RED II policy also puts pressure on the 19.5 million workers who depend on the palm oil industry for their livelihoods.

Indonesian palm oil exports during the January-September 2019 period decreased by 11.78% to 3.29 million tonnes compared with the same period in the previous year. This represents 16% of Indonesia's total CPO exports, which amounted to 21.31 million tonnes. The total value of Indonesia's exports to Europe declined by 27.89%, amounting to USD 1.72 billion or around IDR 24 trillion (Katadata, 2019). Currently, CPO exports to the EU have fallen by 23% compared with previous years. In the context above, we can see that the pressure exerted by the global world, especially the EU, has reduced income from palm oil, even though basically biofuels used by the EU in producing biodiesel are CPO, most of which is imported from Indonesia (Smith, 2014). This policy has become a threat to the Indonesian palm oil industry because Europe is the third-largest destination for Indonesian palm oil exports. Besides, Europe is often used as a reference for other countries, so it is feared that other countries will follow in Europe's footsteps in implementing the same regulations.

On the other hand, as explained in the policy adoption approach, countries will compete to maintain benefits for their respective interests. One aspect that supports this is the idea that countries compete to get the most innovative policies to gain economic benefits for their country (Lestari et al., 2022). The Indonesian palm oil industry has a significant role in the country's economy, and therefore, this interest is greatly influenced by foreign policies such as RED II. When RED II removed palm oil from the list of plant materials permitted in biofuel production, this could be understood as a result of pressure from economic and political forces in Europe, which may be fighting for their industrial interests or drawing environmental concerns about the impact of the palm oil industry.

Therefore, even though EU regulations are seen as an effort to save the environment, there is an assumption that the policies implemented by the EU are a strategy to inhibit imports of goods into the EU, as well as providing domestic protection for substitute goods for palm oil, namely oil from sunflower seeds produced by EU companies (Schaus and Lendle, 2010). Sunflower oil is unable to compete with Indonesian palm oil, which is cheaper. Therefore, the high standards applied by the EU can also be said to provide unilateral benefits because

vegetable oil exporters in developing countries face very high costs meeting the new standards. The implication for Indonesia is that if it continues to try to meet these high standards, it has an impact on increasing the costs of producing palm oil. By increasing certain environmental standards, a large amount of capital is needed so that the total production costs increase by 5% - 20%. This can have an impact on the comparative price advantage of Indonesian palm oil products.

It has been claimed that the EU sets high standards for imported products in order to protect domestic products. According to Tyson and Meganingtyas (2022), the European countries that are most against Indonesian palm oil are also the primary producers of sunflower and rapeseed products. Their stance on this matter is seen as a manifestation of protectionism. EU policies such as RED II can be understood as a manifestation of the bloc's economic power and influence, as well as an attempt to promote global environmental standards. The EU's efforts to protect the environment by excluding palm oil from biofuel feedstocks in Europe seem to give rise to a different perspective when we consider the consequences of not having palm oil on the market. The WWF (World Wide Fund), an international non-governmental organization supporting environmental protection measures, also highlighted the risks associated with the EU's decision, as it could result in a shift to other commodities such as soybean oil, rapeseed oil and sunflower oil, which have lower productivity (Erman, E. 2018). This means that more land will be needed to meet the same amount of vegetable oil produced by palm oil.

The WWF's criticism of the EU relates not only to the deforestation that has been generated by the palm oil industry but also to the potential deforestation that could occur if the EU does not thoroughly consider the implications of its policies on global vegetable oil markets, especially when relying on alternative commodities that may require expansion to larger plots of land in other countries. This EU step can also be seen as an effort to protect its regional industry, considering the limited land in Europe for planting palm oil. Therefore, the protection of the palm oil industry is considered a state interest because this is closely related to a 'trade war', as stated by the Indonesian Ministry of Foreign Affairs and the Indonesian Ministry of Trade. They view competition in the vegetable oil trade as the cause of this deadlock, and it is difficult to reach a solution (Kinseng et al., 2023). One of the important things the Indonesian government is trying to do is fight for palm oil to defend the country's

sovereignty and respond to external pressures that may be detrimental to the country's interests. According to Kinseng et al. (2023), the problem of palm oil is not only related to trade, but also encompasses matters of reputation, dignity and even national sovereignty. This perspective is underscored by nearly all government departments in Indonesia, particularly the Ministry of Trade, the Ministry of Foreign Affairs, the Ministry of the Environment and Forestry, and the Ministry for the Economy.

B. Socio-economic Factors

In the history of the development of the palm oil industry in Indonesia, plantation expansion has become a significant phenomenon. This is one of the reasons the EU is putting pressure on Indonesian palm oil because of its links to deforestation.

In a study conducted by Syahza (2011), it was found that the establishment of oil palm plantations has broadened the range of income streams available to farmers, extending beyond traditional on-farm activities to include off-farm and non-farm sectors, including plantation workers, traders, transportation services, home industry and construction workers. This development has increased income and employment opportunities for farmers, resulting in an economic multiplier effect of 3.03 in Riau due to migration to areas surrounding plantations.

Modern society cannot be separated from palm oil derivative products. Indonesia currently produces the most amount of palm oil in order to meet the world demand, which is not surprising considering that oil palm can produce up to 23 times more vegetable oil compared with other oil-producing plants (Sheil et al., 2009). The impact of the global market is intricately connected to the expansion of oil palm plantations. Palm oil is extensively employed as a primary ingredient in various food products such as cooking oil and margarine, as well as in non-food goods like soap, oleochemicals, medicinal components and biodiesel.

According to figures cited by OurWorldInData.org from the Food and Agriculture Organization of the United Nations (2023), Indonesia's oil palm plantations expanded by almost 28 times between 1980 and 2010, from a mere 204,000 hectares in 1980 to 8.3 million hectares in 2010. The following shows the increase in land use for palm oil in recent years in Indonesia.

Table 4. Land use for palm oil production in Indonesia

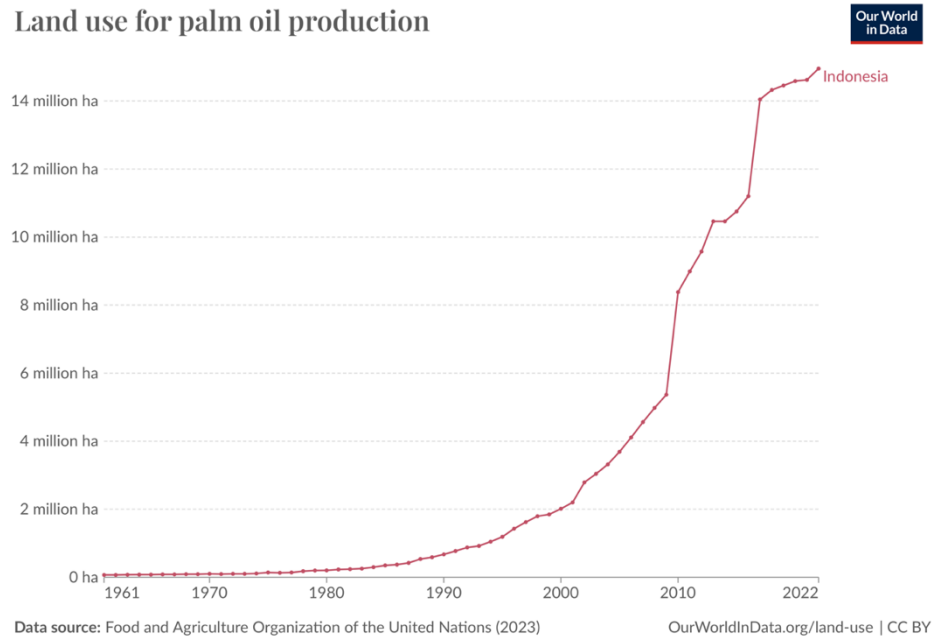
| Year | Hectares | Year | Hectares |
|-------------|-----------------|-------------|-----------------|
| 1999 | 1,847,000 | 2011 | 8,992,824 |
| 2000 | 2,014,000 | 2012 | 9,572,715 |

| | | | |
|------|-----------|------|------------|
| 2001 | 2,200,000 | 2013 | 10,465,020 |
| 2002 | 2,790,000 | 2014 | 10,465,020 |
| 2003 | 3,040,000 | 2015 | 10,754,801 |
| 2004 | 3,320,000 | 2016 | 11,201,465 |
| 2005 | 3,690,000 | 2017 | 14,048,722 |
| 2006 | 4,110,000 | 2018 | 14,326,350 |
| 2007 | 4,560,000 | 2019 | 14,456,612 |
| 2008 | 4,980,000 | 2020 | 14,586,597 |
| 2009 | 5,370,000 | 2021 | 14,621,693 |
| 2010 | 8,385,394 | 2022 | 14,953,126 |

Data source: Food and Agriculture Organization of the United Nations (2023)

If we look at the table above, we can observe that there has been a very significant change in land use for palm oil. The area of oil palm plantations has increased in tandem with the rise in Indonesian palm oil exports. In the ensuing years, the expansion of the oil palm land area intensified, in 2015, it hit 10.75 million hectares. This is consistent with Indonesia's production, which is rising daily and has allowed it to hold the top spot in the world for palm oil production. Oil palm plantations now occupy over 15 million hectares of land. It is hardly unexpected that Indonesia's palm oil sector can expand so quickly given its geographical area, which is around six times greater than Malaysia's (Basiron, 2007). Consequently, the industry's earnings offer a compelling reason for expansion (Varkkey, 2018). The graph below shows the changes in land use for palm oil production in Indonesia.

Figure 1. Graph of land use for palm oil production in Indonesia



The data above shows a significant increase in land use in Indonesia for palm oil production. The correlation between the growth of land given over to oil palm and the quick increase in palm oil production in Indonesia is to be expected, as shown below:

Table 5. Palm oil production in Indonesia

| Year | Tonnes | Year | Tonnes |
|------|------------|------|------------|
| 1980 | 721,172 | 2011 | 23,096,540 |
| 2000 | 7,000,507 | 2012 | 26,015,520 |
| 2001 | 8,396,472 | 2013 | 27,782,004 |
| 2002 | 9,622,344 | 2014 | 29,278,188 |
| 2003 | 10,440,834 | 2015 | 31,070,016 |
| 2004 | 10,830,389 | 2016 | 31,730,960 |
| 2005 | 11,861,615 | 2017 | 37,965,224 |
| 2006 | 17,350,848 | 2018 | 40,567,230 |
| 2007 | 17,664,724 | 2019 | 47,120,250 |

| | | | |
|------|------------|------|------------|
| 2008 | 17,539,788 | 2020 | 44,759,148 |
| 2009 | 19,324,292 | 2021 | 49,710,344 |
| 2010 | 21,958,120 | | |

Data source: Food and Agriculture Organization of the United Nations (2023)

If we look at the table above, in the 1980s, production only reached 721,000 tonnes. Still, there was a fairly rapid increase every year. For example, around 2000, total production reached 7 million tonnes and increased significantly in 2006, reaching 17 million tonnes; in 2015, it increased to 31 million tonnes and experienced a significant increase very rapidly until in 2021, it reached 49.7 million tonnes, almost close to 50 million tonnes figure, as shown in the table above. According to the BPS income from palm oil exports continues to increase every year, showing how important the palm oil industry is as a major contributor to foreign exchange for Indonesia. Mukherjee and Sovacool (2014) said that although anti-deforestation pressure on the palm oil sector at local and international levels also occurs in other countries this pressure is considered to be much greater in Indonesia. This is due to the fact that in Indonesia, most land use changes are caused by direct expansion in primary rainforest and peat forest areas (Varkkey, 2018).

The amount of income generated from the export of palm oil was USD 20.21 billion in 2019, which increased to USD 22.96 billion in 2020, and had a significant increase to USD 36.21 billion in 2021. Indeed, in 2021, the Indonesian palm oil industry achieved its highest-ever foreign exchange earnings from palm oil exports. According to PASPI data (2021), foreign exchange generated from palm oil exports primarily comes from two sources: direct export of palm oil and its derivative products by domestic downstream industries, and savings from importing fossil diesel fuel due to the use of domestically produced palm oil-based biodiesel, which is increasingly produced in accordance with the mandatory biodiesel policy. The range of products offered includes CPO, refined palm oil, oleochemicals and biodiesel (Sawit Indonesia, 2022)

According to Erman, E. (2018), the palm oil growth in Indonesia cannot be separated from three main factors. First, if viewed from an economic perspective, palm oil makes a significant contribution to state income. Not only that, but palm oil has also provided employment and livelihoods for small farmers. Second, at the state institutional level, there is

facility support in the form of permits for forest land or production forests, which can be converted by the government, at the national, provincial and district levels, for investors to invest their capital in the plantation sector. Third, politically, there are incentives for public officials and the private sector to convert forests for the oil palm plantation sector, which is more profitable from an economic perspective. In other words, public officials become rent-seekers for granting business permits. Varkkey's (2016) study indicates that there is a relationship between oil palm plantation expansion and government patronage politics, especially in Indonesia, for example, in cases of fires involving oil palm plantations. This politics of patronage has given rise to a government attitude that is neglectful in dealing with issues of environmental sustainability and social justice. Following what was stated by Aspinall and Sukmajati (2016), the rapid growth of palm oil was also accompanied by decentralization reforms in the early 2000s, which then gave birth to new local elites and a system of 'money politics' marked by clientelism.

This is in line with the opinion of Hidayat (2007) who stated that expansion was caused by large private plantations and smallholder plantations, which began to increase in the 1990s. Three factors supported the massive expansion of oil palm plantations in Indonesia, namely agro-climatic suitability, global market demand and government policy support. Indonesia's agro-climatic conditions have great potential for palm oil development. The crop requires a tropical climate, grows well in lowland areas with wet climates, does not get flooded when it rains, and does not dry out when it is dry. For this reason, oil palm is considered to have great potential to be developed on up to 16.83 million hectares of land in Indonesia (Katadata, 2023), and is currently cultivated in 26 provinces, especially on the islands of Sumatra and Kalimantan (BPS, 2024). The national palm oil industry generated IDR 239.4 trillion in foreign exchange, a figure that is difficult for any industrial sector in the country to match (BPBD, 2019).

Table 6. Oil palm expansion from 2001 to 2019 and planted area in 2019 for Indonesia and by region

| Areas (in Ha) | Indonesia | Sumatra | Kalimantan | Papua | Sulawesi | Java Maluku |
|---|------------------|-----------------|-----------------|-----------------|---------------|--------------|
| Oil palm expansion 2001–2019 | 8,477,253 | 3,457,500 | 4,598,415 | 221,117 | 164,471 | 35,749 |
| Oil palm area 2019 (This study) | 16,237,047 | 9,486,516 | 6,044,517 | 272,808 | 374,686 | 58,520 |
| Industrial | 10,316,986 (64%) | 4,684,385 (49%) | 5,105,427 (84%) | 271,486 (99.5%) | 207,165 (55%) | 48,522 (83%) |
| Smallholder | 5,920,061 (36%) | 4,802,130 (51%) | 939,091 (16%) | 1,322 (0.5%) | 167,520 (45%) | 9,998 (17%) |
| Oil palm area 2019 (Descals et al. 2020)* [20] | 11,531,006 | 6,770,223 | 4,259,152 | 175,803 | 304,442 | 36,379 |
| Industrial | 7,706,254 (67%) | 3,692,628 (55%) | 3,682,299 (86%) | 169,880 (97%) | 144,787 (48%) | 27,556 (76%) |
| Smallholder | 3,828,849 (33%) | 3,077,595 (45%) | 576,853 (14%) | 5,923 (3%) | 159,655 (52%) | 8,823 (24%) |
| Oil palm area 2019 (Ministry of Agriculture 2020)* [17] | 14,724,420 | 8,299,729 | 5,713,504 | 213,359 | 450,499 | 47,328 |
| Industrial | 8,688,678 (59%) | 3,560,687 (43%) | 4,670,281 (82%) | 180,685 (85%) | 238,498 (53%) | 38,527 (81%) |
| Smallholder | 6,035,742 (41%) | 4,739,042 (57%) | 1,043,223 (18%) | 32,674 (15%) | 212,001 (47%) | 8,801 (19%) |

* Area of plantations extracted from a global oil palm map derived by based on radar data [20]. This dataset only includes mature (closed-canopy) plantations

*Area of plantation extracted from 2019 statistics of the Directorate General of Plantation Estates Crops of the Indonesian Ministry of Agriculture [17]. This dataset includes immature (open-canopy), mature (closed-canopy) and damaged plantations.

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Source: Gaveau et al. 2022

The data above indicates that between 2001 and 2019, Indonesia acquired a total of 8.48 million hectares of oil palm plantations. Out of this, 6.19 million hectares were designated for industrial use, while 2.28 million were allocated to small farmers. Thus, the total mapped area of plantation in 2019 was 16.24 million hectares, with the industrial sector accounting for 64% and small farmers occupying 36% of the total area. Various entities within the palm oil industry, including major corporations, government agencies, smallholders and small-scale farmers, play a role in pushing these developments. The implementation of stricter environmental regulations affect all parties involved.

Indonesia's largest oil palm farms are located in the province of Riau with 3.49 million hectares, or around 20.75% of the total area of oil palm plantations in the country. With 2.03 million hectares of oil palm plantations, central Kalimantan comes in second, followed by North Sumatra with 2.01 million hectares. Given that Indonesia's land area is six times larger than Malaysia's, land development is thought to be considerably more profitable for the country, which has helped the Indonesian palm oil sector grow quickly (Basiron, 2007). Similar to Malaysia, expansion has taken place in Indonesia since deregulation policies were introduced in the 1980s, allowing marketplaces to develop into industries (Susanti and Maryudi, 2016). Over time, this has led to significant development, particularly in

Kalimantan and Sumatra. Primary natural rainforests and peatlands eventually started to expand due to the growing rate of land use, and this process is still ongoing today.

The research conducted by Varkkey and Choiruzzat (2018) indicates that Indonesia has a tendency to extensively extend its oil palm plantations. This growth involves increasing the agricultural land area, often resulting in the conversion of forests or other types of land use (Byerlee et al., 2014). A study conducted by Austin et al. (2019) reveals that from 2001 to 2016, the oil palm plantation business was responsible for a significant 23% of overall deforestation in Indonesia. According to data from the Sustainable Madani Foundation, 1,001 million hectares of oil palm plantation overlap with forest, primary forest and peat areas. The overlapping oil palm plantation land belongs to 724 companies (Kompas, 2019). Peatlands are considered suboptimal agricultural land because of the low soil pH and low macro and micronutrient content, which contribute to the low productivity of oil palm plantations in Indonesia. Therefore, palm oil is considered more attractive to cultivate because it is able to adapt well to marginal land such as peatland, which is not economical. Besides, the expansion of oil palm plantations requires a lot of investment, starting from establishing plantations and building palm oil processing factories. Therefore, the private sector is dominant in the palm oil industry.

Moreover, the expansion of large private plantations was possible because of the development politics of the New Order government, which was oriented toward economic growth by encouraging investment, especially in export-oriented commodities. The international market encouraged the conversion of forests for oil palm plantations. The lack of a robust global market for forest products during this time diminished President Suharto's motivation to promote logging (Fleischman, et al., 2014). Therefore, permits for oil palm plantations were granted by sacrificing the rights of indigenous communities (Colchester and Chao, 2015). Hundreds of thousands or even millions of hectares of forest land were cleared by granting cultivation rights (HGU) on state lands for private oil palm plantations. The granting of permits became more widespread during the regional autonomy period because it expanded the authority of regional governments to issue plantation business permits in order to increase local revenue, as stated in Law No. 39/2004 concerning plantations. Currently, private firms hold the majority control over palm oil production in Indonesia, occupying 7.7

million hectares of land, which accounts for 54% of the total palm oil area in the country (Katadata, 2019).

Pichler (2015) states that the process of land control by corporations in Indonesia can occur because of the land certification system, which marginalizes the rights of indigenous communities, as well as the policy of concentrating very large land ownership for private oil palm plantations, and regional autonomy policies which support licensing authority oil palm plantations to local governments in order to increase local revenue. In Indonesia, Chao (2019) revealed that although there have been efforts to implement sustainable palm oil cultivation, these efforts have met with great resistance from the Marind tribe in West Papua. They claim that encroachment is still occurring on their traditional land. According to Hidayat, et al., (2018), this is because of the immature implementation of the ISPO, coupled with various problems, weak implementing entities and the low level of ISPO reliability in convincing the market.

Moreover, many oil palm plantation firms from other countries, such as Malaysia, are located abroad, especially in Indonesia. Based on data in 2021, there are 7.9 million oil palm plantation concessions owned by foreign investors in Indonesia. According to Dedy Sukmara Pratama, director of the Information and Data Division of the Auriga Nusantara Foundation, around 3.7 million hectares of oil palm land are owned by Malaysia in Indonesia. It is estimated that Malaysia achieves a gross income of up to IDR 222 trillion per year. This amount is quite large when compared with several domestic Indonesian project budgets. For instance, this income is around 47.6% of the total budget for the new national capital megaproject in East Kalimantan of IDR 466 trillion or 8.17% of the total 2022 Indonesian State Budget and Expenditure Revenue (APBN) of IDR 2,714 trillion (Betahita, 2022).

Looking at the phenomenon of socio-economic change in the context of expansion taking place in Indonesia, which is driven by economic and market opportunities, Wang, et al. (2012) say that socioeconomic or environmental pressures can sometimes help motivate adoption of sustainability, and a sense of risk can facilitate the formation of a constituency that supports climate change adaptation (Berke & Lyles 2013). Consequently, as a reaction to this situation, the Indonesian government implemented a policy to restrict the expansion of oil palm plantations by means of a moratorium (Kinseng, et al., 2022). The policy was communicated through the Inpres No. 8/2018. This strategy is also regarded as a means to

achieve sustainable practices in oil palm plantations and promote the use of renewable energy sources.

C. Bureaucracy Aspect: Overlapping Policies And Regulations

According to Spalding (1980), the context of the bureaucratic approach focuses on the internal dynamics, pressures and complex interaction patterns that characterize bureaucracy. Thus, the bureaucratic political approach explains how internal government factors and bureaucratic behavior have a significant impact on the policy-making process. Policy is not only seen as the result of rational analysis or external pressure but also as a product of internal dynamics and bureaucratic interests. Following what Spalding conveys, policy initiatives may be the product of an institution's efforts to achieve these goals, justify its continued existence or expand its base of support in society.

In relation to this research, the bureaucratic aspect can be seen from the internal dynamics, which are defined as interactions and relationships between various entities and government officials that can influence the policy decision making process. Spalding's approach shows that bureaucratic institutional networks have a significant impact on the development of welfare policy. This includes how policies are shaped by bureaucratic interests and interactions between different institutions. In the context of palm oil, internal dynamics can be seen from the overlapping policies and regulations of various ministers, this is also influenced by the decentralization system that applies in Indonesia. In research by Kalafatis, S. E. (2018), he explains that the presence of institutions with the potential to form coalitions has a positive impact on the adoption of climate change policies. This fits with discussions about how environmental and sustainability policies are often influenced by support from groups that care about the environment. The existence of departments or commissions that focus on the environment or sustainability is related to the adoption of policies for both mitigation and adaptation to climate change.

There is quite an interesting debate between EU and Indonesia. The EU believes that 'there is no sustainable palm oil available on the market yet'. At the same time, the government of Indonesia states that 'palm oil is the most sustainable alternative available' (Hinkes, 2020). The oil palm plantations in Indonesia have become a focal point for a range of problems, such as alterations in the local environment, social systems, land ownership, agricultural

practices, patterns of human resource utilization and the conversion of land due to deforestation (refer to McCarthy, 2010; Alonso-Fradejas, et al., 2016; Li, 2017). In 2020, the Agrarian Reform Consortium documented 101 cases of conflict resulting from oil palm plantations. The confrontations entailed indigenous groups regaining territory that had been appropriated by palm oil companies (KPA, 2020).

In this research, the implementation of the moratorium policy shows the government's difficulties and challenges in dealing with a number of problems related to palm oil. The continuous expansion has never been limited by truly effective policies. Increasing international and domestic pressure requires the government to implement policies that are able to reduce the many problems that occur. This is to achieve socio-political support and stability. Unlike neighboring Malaysia, for example, the expansion of the Malaysian palm oil industry is occurring at a very slow pace (Varkkey, 2018). This is because the government promised to preserve at least 50% of forest cover by the end of the 1990s. The voluntary commitment made by the Malaysian government to preserve roughly 50% of its forest cover has been beneficial. In keeping with this pledge, the Malaysian government has put in place a number of laws that will allow the palm oil sector to grow even though 50% of forest cover is promised. That does not happen in Indonesia. No official pledge to restrict growth has been made, and Indonesia has never explicitly assured the international community of its forest cover.

In the context of interactions and relationships between various entities and government officials that can influence the decision-making process for this moratorium policy, there are several things that are related, but there is no institution focused on dealing with palm oil issues until now. For instance, in the context of the moratorium, this matter was delegated from Inpres No. 8/2018, where the President specifically instructed officials based on their respective primary responsibilities, including the Minister of Environment and Forestry, Minister of Economic Affairs, Minister of Agriculture, the Minister of Agrarian Affairs and Spatial Planning/head of the BPN and the Minister of Home Affairs and respective governors. The state officials were given five different tasks. These tasks included delaying the issuance of permits for oil palm plantations that originate from forest areas, gathering and confirming information about the plantations, assessing the permits, creating and carrying out

follow-up plans until the results are evaluated and boosting oil palm farmers' productivity. The Coordinating Minister for Economic Affairs is responsible for overseeing and documenting the execution of this Inpres.

A working group on the moratorium on palm oil has been formed at the national level by the central government under the direction of the Coordinating Ministry for Economic Affairs. The group is made up of representatives from multiple ministries. As evidenced by the Minister of Agriculture's Decree No. 833/KPTS/SR.020/M/12/2019, this group has finished developing 16.38 million hectares of oil palm plantations. The Ministry of Agrarian Affairs and Spatial Planning/BPN has officially verified the data about HGU rights in Central Kalimantan, East Kalimantan, Papua, Riau and West Sulawesi. Currently the Ministry of Environment and Forestry has drafted a Presidential regulation that categorizes palm oil settlements in forest areas, prohibits oil palm plantations in forest areas and postpones the issuance of permits for the conversion and substitution of new forest area. However, the policy was reduced to a circular letter (SE) and regent regulation (Perbup) by local governments at the district and provincial levels, including North Aceh, Aceh province, Sanggau regency, Buol regency and Gorontalo regency.

However, an interview conducted by researchers with one of the members of ELSAM⁴, stated that:

‘The oil palm issue is difficult to overcome; of course, it can occur because of overlapping palm oil policies, so it is one of the roots of the problem of palm oil expansion still occurring, even though there are many policies that try to limit this. There is overlapping authority between different ministries because often concession permits are granted by various ministries that have different authority, and this causes oil palm expansion to continue, even expansion of mining land as well still occurs in forests in Indonesia. Besides that law enforcement is still weak, we can see

⁴ Established in August 1993 in Jakarta, the Institute for Policy Research and Advocacy, also known by its acronym ELSAM, is an association dedicated to policy advocacy. Participating in initiatives to advance, defend, and uphold human rights generally as well as civil and political rights is the goal.

several cases of civil society efforts to try to question companies operating in forests, but it turns out that this is often not accompanied by good law enforcement.’

The statement above is also in line with what was conveyed by the Coordinating Minister for Maritime Affairs and Investment, Luhut Binsar Pandjaitan, who said that there were overlapping regulations implemented by a number of ministries, causing inefficiencies in the palm oil industry, resulting in potential loss of state revenue amounting to IDR 172 trillion from the palm oil sector ‘We see the inefficiency of the palm oil industry which causes potential losses of state revenue amounting to IDR 172 trillion. Now we are pursuing it,’ said Minister Luhut (GAPKI, 2024).

‘We will invite ministries related to the palm oil industry to discuss it. Why do they implement regulations that hinder business. One rule precludes the other rule, Why? This is our weakness,’ added Luhut. On the other hand, the Indonesian Palm Oil Entrepreneurs Association (IPOA) assert that the existing issues in the domestic palm oil industry come from internal factors, such as overlapping regulations and the large number of institutions involved in policy making. ‘Many of the problems faced by the palm oil industry arise from overlapping regulations and the many institutions involved in making palm oil policies, after we mapped it, there are at least 31 government agencies involved in policy making, from regional to central government,’ said IPOA secretary general M.Hadi Sugeng during the 25th Indonesian Journalist Association (PWI) Congress in Bandung, West Java, recently (PWC, 2023).

For example, the President's directive regarding the moratorium mandates that data and information be submitted to various ministries and institutions starting from districts, cities and provinces (see diagram in Inpres 8/2018)⁵. This means that the Inpres establishes a work pattern that involves reporting and discussing the findings of regional governments at the national level for further action. However, this does not occur. The central government is primarily concerned with the preparation of palm oil land coverage. The implementation strategy of the national working team’s Inpres, which involves selecting seven priority provinces (Riau, Jambi, North Sumatra, South Sumatra, Central Kalimantan, East Kalimantan

⁵ See draft in <https://peraturan.bpk.go.id/Home/Details/92813/inpres-no-8-tahun-2018>

and West Kalimantan), does not align with the instruction itself, because the Inpres does not mandate such a thing, which indicates a gap between the central and the regional governments.

There is overlapping competence between various levels of government, thereby obscuring the division of responsibilities and jurisdiction areas of oil palm plantations, which is much larger than that of official figures (Kartodihardjo, 2018). Additionally, there is a lack of a detailed plan for executing the Inpres on the palm oil moratorium. Some regions that show eagerness to comply with the Inpres face obstacles due to the absence of guiding documents essential for its implementation. Essential elements such as roadmaps, implementation guidelines and technical instructions, as well as budget allocations, are not addressed in the directive. Another obstacle is that there are no funds allocated in the regional budget or provided by the central government to carry out the Inpres. Whereas, as stated by Astari and Lovett (2019), ‘to increase the sustainability of the palm oil sector, the government must focus on implementing policies that protect biodiversity, provide real benefits for certified producers, and increase engagement with stakeholders’. However, the framework should extend beyond mere functionality and mechanistic approaches, acknowledging social factors like enhanced participation and the empowerment of collective endeavors.

Additionally, there is a deficiency of cooperation between the central and regional authorities. There is still considerable ambiguity regarding the allocation of power, duties and obligations among the many levels of government. Legislative rules in the areas of conservation, environmental management and forestry sometimes overlap with one other (Dermawan et al., 2006). Additionally, there was a shift toward recentralization following the original reforms. Law No. 41/1999 concerning forestry, for instance, restored a significant portion of power to the central government, which had been decentralised according to Law No. 22/1999 (Turner et al., 2003). In the forestry sector, laws were introduced in early 1999 with the goal of transferring forest management authority to local levels. However, shortly thereafter, the central government started releasing regulations in an attempt to regain control over forestry administration (Dermawan et al., 2006).

As outlined in the Inpres, the workflow should involve information flow from regional to national levels, where data from regional administrations is deliberated within the national working group for further action. However, this protocol has not been put into practice.

Moreover, the widespread distribution of oil palm plantations across Indonesia complicates the government's monitoring efforts. Consequently, numerous oil palm plantations are situated on unsuitable or illegal grounds, including conservation forests and peatlands. In addition, regarding the moratorium, the Civil Society Coalition observed insufficient dissemination of the policy, leading to a lack of awareness among several local leaders at both provincial and district levels. According to many reports from NGOs no instances of overlapping cases have been successfully handled through the Inpres. Out of the total of 25 provinces and 247 regencies/cities that possess oil palm plantations, the majority, which amounts to 19 provinces and 239 regencies/cities, have not responded to the Inpres. This highlights the inadequacy of the publicizing efforts.

On the other hand, there is the problem of conflicting and overlapping forest spatial regulations, giving rise to negative impacts on the expansion of oil palm land (Ishak et al., 2017). Law No. 24/1992 is the original legislation governing spatial planning in Indonesia. It was later amended by Law No. 26/2007 on spatial planning. Basically, spatial planning regulations aim to harmonize the natural and artificial environments. Thus, the use of artificial and natural resources can be carried out simultaneously, providing protection for the function of space and preventing negative impacts on the environment caused by the use of space. But, the implementation of spatial planning in Indonesia is only at the conceptual level. In the context of forest spatial planning, there is a map called the 'Forest Use Approval Map' (TGHK), which must be used as a reference in preparing the regional spatial planning (RTRW) as regulated in Law No. 41/1999 concerning forestry. However, many provinces or districts have not combined their RTRW with forest area maps because the TGHK map's scale is 1:1,000,000 making it difficult to apply practically in the field (Ishak et al., 2017).

Moreover, the lack of guidelines for regional governments in implementing spatial planning has created many obstacles (BPHN). Thus, each region often does its own regional spatial planning without a national spatial planning map as a guide (Ishak et al., 2017). For example, in the regional context, regional spatial planning policies prepared in RTRW regional regulations are often oriented toward economic growth so that their implementation is vulnerable to violations and land conversion (Budiman et al., 20220). This overlapping spatial layout often becomes an entry gap for oil palm plantation entrepreneurs to expand (Gillespie, 2012).

This is also influenced by the decentralized system in Indonesia. The decentralization process in Indonesia presents obstacles in efficiently conveying policies from the central government to local districts. The primary objectives of the decentralization legislation were to enhance civil freedoms and grant greater authority to local authorities. However, it should be noted that this does not necessarily indicate that regional civil society would experience growth, democratization would be heightened or good governance would be established (Schulte Nordholt, 2003).

Decentralization was expected to produce a government that is more effective, efficient and responsive in managing natural resources and the environment (Ardiansyah, F., & Jotzo, F., 2013), but in practice, there are still many shortcomings. For example, deforestation rates continued unabated during decentralization. The ongoing loss of forests and peatland, caused by deforestation and plantation expansion, is associated with decentralization (McCarthy 2002: 868; Ribot 2002: 9). As an illustration, Hadi Sugeng, the secretary general of the IPOA, cited a situation involving the identification of a forest area. It was found that both palm oil firms with HGU rights and farmers with ownership rights (SHM) were identified as encroaching on this forest area (PWC, 2023). This is established based on the suggestions provided by the governor and various relevant agencies. ‘The status of business entities that have SHM or HGU should be final, because the process involves all relevant agencies and takes into account the existing spatial layout,’ said Hadi.

On the other hand, there are still many issues with bureaucratic transparency in Indonesia. It is frequently difficult for civil society to obtain reports about certain phenomena. For instance, civil society organizations find it difficult to obtain the six-monthly progress reports that are created by the national working team and submitted to the President. This document should be made public even though it is not required to do so in order for us to understand the process as a whole and offer relevant feedback. Furthermore, it is unfortunate that the public has not been notified about the substitution of the deputy in the Coordinating Ministry for Economic Affairs who is responsible for implementing the Inpres. Disproportionate authority, lack of transparency, absence of free, prior and informed agreement, and unequal distribution of benefits, exacerbated by ambiguous land ownership, result in conflicts between small-scale farmers and companies. Therefore, these conflicts can be mitigated by effective governance (Cadman, et al 2019). Another thing is that the information released about the area of oil palm

plantations in Indonesia does not provide details about the number and location of these plantations in forest areas. If this information was included, it would help the work team in carrying out evaluations. That there have not been any instances of oil palm plantations in forested areas that the Inpres can address is understandable. According to the Ministry of Environment and Forestry, oil palm plantations span 3.4 million hectares in forested areas (Katadata, 2020), but the details about the locations, owners and activities taken in response to these plantations remain unclear.

Looking at the above phenomenon, the massive expansion that is occurring in Indonesia required the adoption of a moratorium policy. The moratorium was one of the steps Indonesia has taken in response to the intricate environmental issues the palm oil industry faces. According to studies by Macedo et al. (2012) and Boucher et al. (2013), Brazil has been able to significantly reduce deforestation through policy measures that have improved land and forest resource governance. They zone land use, enforce environmental restrictions relating to forest clearing, safeguard high conservation value forests and monitor forest clearing with satellite monitoring. This set of actions has shown to be highly successful. As a result, President Widodo signed the Inpres that temporarily suspended the expansion of land and assessment of oil palm plantations.

Inpres No. 8/2018 provides directives regarding the delay and assessment of licenses, as well as the enhancement of productivity in palm oil farms. The moratorium aims to give time for the reassessment and reorganization of permits for oil palm plantations while also boosting output. According to the government, the function of this ban is to prevent the palm oil business from growing geographically by boosting the productivity of the currently planted area by using improved seedlings, promoting certification and enhancing the ability of small farmers. Therefore, the moratorium provides an opportunity for Indonesia to review policies related to the palm oil industry, including policies on granting new plantation permits, law enforcement against illegal or unsustainable practices, and the development of stricter sustainability standards.

In Brazil, the moratorium in the case of soybeans was considered effective because it succeeded in limiting land purchases by export companies (Lambin and Meyfroidt, 2011). Indonesia's decision is regarded as a direct response to urgent environmental concerns, including deforestation, environmental deterioration and social disputes arising from the

expansion of oil palm plantations. Within this framework, the moratorium is a preemptive measure aimed at allowing for a thorough assessment of the palm oil industry's effects on the environment and society, while also seeking to develop more environmentally friendly alternatives. A moratorium or temporary permit for oil palm plantation permits is one of the government's steps aimed at reducing the negative impact of the expansion of oil palm plantations caused by conflicting and overlapping forest spatial regulations (Ishak et al., 2017).

Therefore, the indications above show that the pattern of economic change and bureaucratic aspects are the reasons why the EU's pressure is so great for Indonesia. Uncontrolled expansion, overlapping policies and agencies, as well as the lack of special institutions that focus on palm oil development, show that the Indonesian government faces many challenges in overcoming existing problems. Thus, the moratorium was adopted as a result of global pressure from the EU and for domestic reasons. The various indications of the problems above show that Indonesia is facing many challenges. Eckersley (2004) says there is a form of functional dependency between the capitalist state and the capitalist economy where the state must provide an environment in which wealth can be increased and jobs can be created, but at the same time, must respond to concerns about environmental damage due to the accumulation of capital through commercial activities.

CHAPTER V

CONCLUSION

This research discusses Indonesia's response to the issue of palm oil, which is based on the question of how did RED II push the Indonesian government to implement a moratorium policy for the palm oil industry? This research investigated how RED II regulations pressured the government of Indonesia to adopt the palm oil moratorium policy, and why this happened. Palm oil is one of the promising commodities in the global market. This is indicated by the demand for palm oil, which continues to increase every year, especially in countries that use biofuels as a renewable energy source. Moreover, based on its content, palm oil is generally needed as a raw material for pharmaceutical, food, cosmetic, oleochemical and biofuel products. However, behind this, palm oil is considered to be one of the triggers for various problems ranging from deforestation to issues of social conflict in local communities. Therefore, this problem has triggered demands for the sustainability of palm oil from consumer countries, especially European countries. Research on Indonesia is important because Indonesia is the largest producer of palm oil in the world, and more than 83% of the world's palm oil demand currently comes from Indonesia and Malaysia.

This research found that Indonesia adopted a moratorium policy because it was influenced by pressure factors from the EU, especially after the emergence of RED II. This regulation sparked protests in Indonesia because the level of deforestation shows significant increases every year. Apart from that, this pressure also had a significant impact on Indonesia's market share, with the EU listed as one of the largest consumer countries. In the end, if there are too many restrictions it will have an impact on Indonesia's economic figures for exports to the EU. This happens for several reasons that arise at the domestic level, which we can see from socio-economic and bureaucratic aspects that ultimately influence choices in policy making.

In the socio-economic context, there is an expansion trend or increasing the land area designated for palm oil commodities. This expansion then gave rise to deforestation problems and local community conflicts. These problems are in line with the RED II regulations which prohibits palm oil from countries linked to deforestation. From a bureaucratic perspective, the Indonesian government seems to be having difficulty overcoming existing problems. One of the triggers is the overlap in regulations and institutions related to palm oil, plus there is no

strong commitment to cover land as happened in Malaysia. This is also influenced by the decentralization system in Indonesia, making expansion occur continuously and coordination increasingly difficult. Apart from that, Indonesia currently does not have an institution that specifically focuses on increasing palm oil productivity.

In the end, the moratorium is a reflection of the many difficulties experienced by the government in overcoming the oil palm problem so far. This policy was issued to speed up the process of overcoming problems that are increasingly receiving pressure or criticism at both international and local levels, but the moratorium is temporary.

Each country has unique political, economic, social and environmental dynamics, which influence how they develop and implement policies regarding palm oil. To achieve global palm oil industry sustainability, an approach that respects the national context and encourages coordinated strategies that involve various stakeholders, including government, industry, NGOs and local communities is needed. International collaboration and knowledge exchange are also critical in ensuring that best practices are widely implemented. On the other hand, there needs to be a government commitment to focus on increasing productivity and quality so that it is not focused on expansion which causes deforestation. Another step is to increase production standards through certification such as the RSPO and ISPO, which are expected to increase sales value in the global market through sustainability. In this way, the palm oil industry can continue to contribute to the global economy while preserving the environment and improving the welfare of the people who depend on it.

On the other hand, research on palm oil is a very broad and quite comprehensive topic because it intersects with many other disciplines. For this reason, this research cannot be separated from weaknesses, such as data that may be limited or not in accordance with the complexity of the data. On the other hand, once again, because the topic of palm oil is broad, there are possible weaknesses in the analysis and use of theory, and this is compounded by relying only on secondary data. In generalization, case studies often focus on specific cases that may not be broadly representative of the general situation. This makes it difficult to generalize the findings or results from such case studies to a larger population. Therefore, further research will be needed to deepen the topic of palm oil by, for example, asking why the Indonesian palm oil moratorium was stopped or research that uses comparative studies which will enrich the study of palm oil, especially for large palm oil producing countries.

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