

# CHAPTER I

## INTRODUCTION

### 1.1 Research Background

This study aims to analyze the decline in Indonesia's Crude Palm Oil (CPO) exports following the implementation of the European Union Deforestation-Free Regulation (EUDR). The research period focuses on the years 2021 prior to the regulation's enforcement up to 2023, when the EUDR was officially implemented. This study operates under the assumption that the phenomenon reflects structural imperialism within the framework of World-Systems Theory, in which core countries influence and control peripheral countries through political, economic, and cultural mechanisms. In this context, the European Union is viewed as the core actor possessing global regulatory power, while Indonesia occupies a peripheral position that is vulnerable to policies determined by developed nations.

The EUDR emerged as a response to growing global concerns over deforestation and forest degradation, which are considered to exacerbate the climate crisis.<sup>1</sup> As one of the world's major consumers of agricultural commodities, the European Union adopted this policy in June 2023 to ensure that all products entering its market including palm oil, coffee, cocoa, timber, and soy are verified to be free from deforestation or forest degradation after December 31, 2020.<sup>2</sup> Formally, the regulation is claimed to aim at protecting the environment and promoting sustainable development throughout global supply chains. However, on the other hand, these provisions introduce additional trade barriers for producing countries such as Indonesia, a leading exporter of CPO, thereby

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<sup>1</sup> European Commission. (2023, June 29). *Regulation on deforestation-free products*. European Union. [https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products\\_en](https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en)

<sup>2</sup> Afandi, Frendy, and Puspita Suryaningtyas. "Strategi Perkebunan Indonesia dalam Menghadapi EUDR." *Policy Brief Pertanian, Kelautan, dan Biosains Tropika* 6, no. 3 (2024), P. 923.

raising debates over whether the EUDR is a purely environmental instrument or also a tool to maintain the economic dominance of core countries over peripheral ones.

Through the EUDR policy, the European Union positions itself as a normative power in global governance, exporting its values and sustainability standards beyond its territorial jurisdiction. This approach, known as the Brussels Effect, illustrates how the EU's internal regulations exert global influence and implications due to its market power as one of the world's largest consumers.<sup>3</sup> This situation creates a form of normative hegemonic dominance, in which developing countries are compelled to comply with standards set by major economic powers without meaningful participation in their formulation. In this context, the EUDR can be analyzed as an example of Galtung's Structural Imperialism, wherein the European Union, as the "Center," seeks to dominate and control the "Periphery" through regulatory policies ultimately benefiting the Center and perpetuating inequality in decision-making processes.<sup>4</sup>

The EUDR policy is expected to have negative impacts on Indonesia's export commodities, particularly in the palm oil sector. As the world's largest producer of palm oil, Indonesia regards this commodity as a cornerstone of its national development.<sup>5</sup> One of its main derivative products, Crude Palm Oil (CPO), serves as a key export commodity in the global market. Although the European Union officially adopted the EUDR in June 2023 and will be fully enforced on December 30, 2024, market responses and anticipatory measures from European buyers have already begun to affect Indonesia's CPO exports even before its full implementation. This anticipatory effect, driven by increasing sustainability pressures, has contributed to a gradual decline in Indonesia's access to the European Union market.

Following the implementation of the European Union Deforestation Regulation (EUDR), Indonesia's CPO exports to the European Union experienced a significant

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<sup>3</sup> Bradford A. 2020. The European Union in a Globalised World: the "Brussels Effect". Columbia Law School, P. 11.

<sup>4</sup> Galtung, J., A structural theory of imperialism. *African Review*, (1972), 1(4), hlm. 81.

<sup>5</sup> Syahid, Luri Nurlaila, Xiangzhong Luo, Ruiying Zhao, and Janice Ser Huay Lee. "Climate drives variation in remotely sensed palm oil yield in Indonesia and Malaysia." *Environmental Research Letters* 20, no. 4 (2025): 044016, P. 1.

decline in both volume and value. According to data from Statistics Indonesia (BPS), prior to the enforcement of the EUDR, Indonesia's CPO export volume to the EU region reached 2.1 million tons.<sup>6</sup> This figure then decreased to around 1.7 million tons in 2022, in line with growing global pressure regarding sustainability issues and preparations for the upcoming regulation. The decline became even steeper after the EUDR came into effect, with export volumes in 2023 recorded at only around 1.4 million tons. This condition illustrates the gradual and anticipatory impact of the EUDR's implementation on the competitiveness of Indonesia's CPO in the European market, even before the regulation was fully enforced.

Several key factors have contributed to the decline in Indonesia's CPO exports to the European Union following the implementation of the EUDR. One major factor is the complexity of documentation and administrative requirements needed to meet the sustainability standards set by the regulation. The EUDR mandates that all CPO-based products strictly comply with sustainability criteria, including the establishment of a supply chain traceability system that tracks products back to their raw material sources.<sup>7</sup> In addition, producers and exporters face additional financial burdens to cover the costs of supplementary certifications, implementing traceability systems, and complying with other sustainability documentation requirements.<sup>8</sup> Another contributing factor is the negative perception of palm oil, amplified by campaigns from international NGOs and media outlets that associate palm oil production with deforestation. This has prompted several major European brands to reduce the use of palm oil in their products in order to maintain a sustainable image in the eyes of consumers.<sup>9</sup> Furthermore, there has been a

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<sup>6</sup> Badan Pusat Statistik. "Ekspor Minyak Kelapa Sawit Menurut Negara Tujuan Utama, 2012-2022." Badan Pusat Statistik, diakses 10 Oktober 2025. <https://www.bps.go.id/id/statistics-table/1/MTAyNiMx/ekspor-minyak-kelapa-sawit-menurut-negara-tujuan-utama--2012-2022>.

<sup>7</sup> Sucofindo. (2024). Mengenal European deforestation regulation (EUDR) dan dampaknya bagi pelaku usaha. Sucofindo. <https://www.sucofindo.co.id/artikel1/mengenal-european-deforestation-regulation-eudr-dan-dampaknya-bagi-pelaku-usaha/>

<sup>8</sup> Rasbin. "Potensi Kenaikan Ekspor Minyak Kelapa Sawit Indonesia ke Uni Eropa Pascaputusan WTO." In Analisis Strategis Terhadap Isu Aktual, 2025, hlm 3.

<sup>9</sup> Lieke, Sophie-Dorothe, Achim Spiller, and Gesa Busch. "Can consumers understand that there is more to palm oil than deforestation?." *Sustainable Production and Consumption* 39 (2023), P. 496.



decline in CPO demand within Europe, as EU consumers increasingly prefer alternative products that are perceived to be more environmentally friendly.<sup>10</sup>

In this context, the study will further examine how these factors interact and reflect the dynamics of international trade influenced by Structural Imperialism, wherein the “Center” countries represented by the European Union exercise dominance over the “Periphery,” in this case, Indonesia as a CPO-producing nation.

## **1.2 Research Formulation**

Based on the explanation above, the main research question to be addressed in this study is: Why did Indonesia’s CPO exports decline following the implementation of the EUDR from the perspective of structural imperialism?

## **1.3 Research Objectives**

The purpose of this study is to examine the factors causing the decline in CPO exports to the European Union after the EUDR came into effect.

## **1.4 Benefits of Research**

This research is expected to provide benefits and contributions both theoretically and practically:

### **1.4.1. Theoretical Benefits**

This research is intended to serve as a new reference point in the development of discourse on international relations, particularly in the field of international political economy.

### **1.4.2. Practical benefits**

This study is expected to provide valuable insights regarding the discussion of the EUDR policy and information related to the development of the palm oil industry in Indonesia.

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<sup>10</sup> Ibid, P. 497.



## 1.5 Literatur Review

### 1.5.1 Previous Research

To support the writing of this study, the author refers to several previous studies relevant to the topic of the EUDR and the Indonesian palm oil industry.

The first study is **“The Economic Impact of the European Union Deforestation-Free Regulation (EUDR) on the National Palm Oil Industry”** by the Palm Oil Agribusiness Strategic Policy Institute (PASPI).<sup>11</sup> This journal examines the potential bilateral trade balance deficit between Indonesia and the European Union in the event of CPO export disruptions, emphasizing the importance of the EU market despite its declining trend. Although PASPI Monitor carefully identifies the financial consequences of the EUDR, the study mainly focuses on the economic impact analysis and mitigation scenarios. However, it does not explicitly analyze the EUDR as a form of barrier supported by the dynamics of Structural Imperialism. This approach has yet to deeply explore how the EUDR mechanism creating additional costs and administrative burdens functions as an instrument of domination driven by the interests of the “Center” (the European Union), a perspective that will become the main focus of this research.

The second study is **“Assessing the Implications of Implementing European Union Countries’ Anti-Deforestation Regulations on Indonesia’s Palm Oil Industry”** by Adi Setiyanto.<sup>12</sup> This research discusses the implications of the European Union’s anti-deforestation regulation on Indonesia’s palm oil industry, focusing on long-term projections up to the year 2032. Using a multimarket model analysis, Setiyanto evaluates the regulation’s impact on prices, production, exports, and domestic consumption, while comparing scenarios of full compliance with those of export diversion and domestic biodiesel development. Although this study is highly relevant in projecting the economic and market impacts of the regulation, its quantitative approach mainly emphasizes simulation models and direct market effects. However, Setiyanto’s research does not

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<sup>11</sup> PASPI Monitor. (2023). *Dampak ekonomi European Union Deforestation Free Regulation (EUDR) pada industri sawit nasional*. *Journal Analysis of Palm Oil Strategic Issues*, 4(6), hlm778–782.

<sup>12</sup> Setiyanto, A. (2024). Assessing the implications of implementing European Union countries’ anti-deforestation regulations on Indonesia’s palm oil industry. In *IOP Conference Series: Earth and Environmental Science* (Vol. 1308, No. 1, p. 012066). IOP Publishing.

explicitly analyze the EUDR through the critical lens of Structural Imperialism to examine the power dynamics underlying the formulation of the regulation. Therefore, the present study seeks to complement Setiyanto's analysis by delving deeper into the political-economic dimensions behind the EUDR and its consequences in perpetuating inequality within international trade relations.

The third study is **“Upaya Pemerintah Indonesia Dalam Menghadapi Kebijakan Bebas Deforestasi Uni Eropa Mengenai Sektor Kelapa Sawit Tahun 2023”** by Alma Areila Hasna.<sup>13</sup> This research focuses on the proactive and comprehensive measures taken by the Indonesian government in addressing the European Union Deforestation Regulation (EUDR) concerning palm oil. Hasna highlights Indonesia's adaptive strategies, including the implementation of the National Action Plan for Sustainable Palm Oil, the development of a traceability system, and participation in the Ad Hoc Joint Task Force. Although this study is valuable in understanding Indonesia's diplomatic and domestic policy responses to the EUDR and implicitly acknowledges the administrative and documentation complexities arising from the regulation it does not specifically analyze the EUDR as a manifestation of Structural Imperialism aimed at controlling producing countries. The research remains largely descriptive of policy responses and does not critically examine the underlying power dynamics that shaped the creation of the EUDR as an instrument of dominance by the “Center.” Therefore, the present study complements Hasna's work by providing a deeper analysis of the imperialistic nature of the EUDR and its impact on the decline of Indonesia's CPO exports from a critical political economy perspective.

The fourth study is **“Pengaruh Penerapan Bea Masuk Impor terhadap Biodiesel Indonesia ke Uni Eropa”** by Yusrifal Friansyah.<sup>14</sup> This research discusses the effects of import duties imposed by the European Union on Indonesia's biodiesel exports. Using a qualitative method and employing securitization theory along with the concept

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<sup>13</sup> Hasna, A. A. (2025). UPAYA PEMERINTAH INDONESIA DALAM MENGHADAPI KEBIJAKAN BEBAS DEFORESTASI UNI EROPA MENGENAI SEKTOR KELAPA SAWIT TAHUN 2023. *Global Insights Journal: Jurnal Mahasiswa Hubungan Internasional*, 2(1).

<sup>14</sup> Friansyah, Y. (2023). Pengaruh Penerapan Bea Msuk Impor terhadap Biodiesel Indonesia ke Uni Eropa (Doctoral dissertation, Universitas Fajar).



of foreign trade policy, Friansyah analyzes how the EU's anti-dumping measures led to a decline in biodiesel exports and potentially disrupted bilateral relations. Although this study is relevant in highlighting how the EU's trade policies affect palm oil derivative commodities and Indonesia–EU relations, its main focus lies on tariff barriers (import duties) and anti-dumping issues, rather than non-tariff barriers or environmental regulations such as the EUDR. Moreover, while the use of securitization theory is important in understanding threat narratives, it does not directly address the dimension of Structural Imperialism in the context of the EUDR's formation. Therefore, the present research expands Friansyah's perspective by specifically analyzing the EUDR as a form of regulatory imperialism operating through non-tariff barriers, which affects Crude Palm Oil (CPO) exports rather than biodiesel alone, thereby providing a more comprehensive understanding of the power dynamics underlying the decline in Indonesia's CPO exports.

The fifth study is **“Core-Periphery Structure in Sectoral International Trade Networks: A New Approach to an Old Theory”** by Olivera Kostoska.<sup>15</sup> This research examines the core–periphery structure in global trade through a complex network science approach using the LARDEG model. The study finds that despite the rapid expansion of global value chains (GVCs), core countries continue to maintain their dominant positions at the top of the hierarchy, while peripheral countries remain in subordinate positions. The size effect is identified as the primary determinant of first-tier core membership, whereas Gross National Income (GNI) per capita is shown to be a less accurate indicator of a country's status within the world system. The study emphasizes that the international division of labor remains unequal, dividing the world into headquarter economies and factory economies, where peripheral countries act mainly as suppliers of raw materials or low-cost manufactured goods. However, this research has limitations, as it does not specifically examine the impact of non-tariff trade policies such as the European Union Deforestation Regulation (EUDR), nor does it focus on particular commodity case studies or explore the dynamics of bilateral trade between specific actors. The present research complements Kostoska's study by integrating the analysis of non-tariff policy impacts

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<sup>15</sup> Kostoska, Olivera, Sonja Mitikj, Petar Jovanovski, and Ljupco Kocarev. "Core-periphery structure in sectoral international trade networks: A new approach to an old theory." *PloS one* 15, no. 4 (2020): e0229547.



through an examination of the EUDR's effects on Indonesia's Crude Palm Oil (CPO) exports. It provides a deeper focus on a single strategic commodity from a peripheral country while adding a geopolitical context to Indonesia–EU relations, thereby illustrating how policies from core countries can reinforce or reshape core–periphery patterns within international trade.

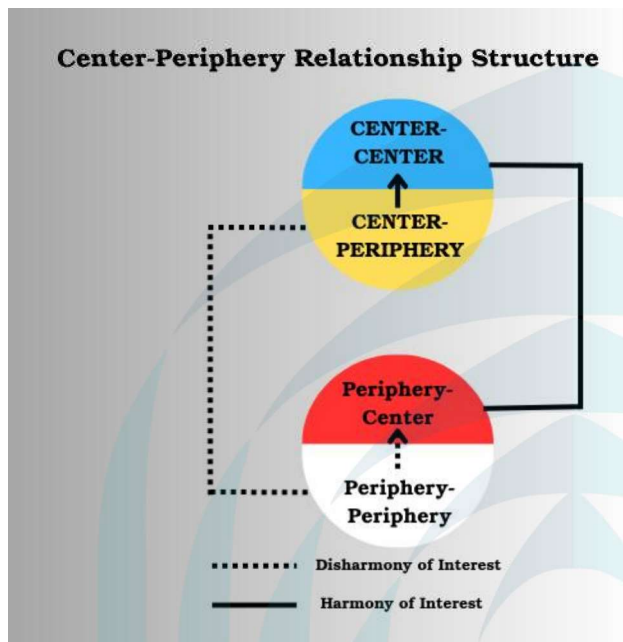
### **1.5.2 Theoretical Framework**

#### **Structural Imperialism Theory**

Structural imperialism is a theory proposed by Johan Galtung, particularly in his work “A Structural Theory of Imperialism”.<sup>16</sup> This theory explains that the international system is structured around two main poles: Center (core) countries and Periphery countries. The Center countries possess structural power that enables them to dominate, exploit, and control the Periphery countries. In Galtung's model, the Center systematically benefits from the Periphery through various mechanisms. This process ultimately perpetuates dependency and inequality, illustrating that imperialism is not merely a form of explicit oppression, but rather a condition in which the global system itself is structurally designed to channel benefits toward the Center while imposing costs upon the Periphery.

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<sup>16</sup> Galtung, J. (1972). A structural theory of imperialism. *African Review*, 1(4), P. 93-138.



**Figure 1** Center Periphery Relations Structure

Source: Galtung

The centre-periphery structure in the implementation of the EUDR can be understood through the image above as four layers of relationships that form the flow of power and dominance in global trade. At the top level is the ‘centre-centre’, which is the global core power that has the ability to set rules, define sustainability norms, and determine standards that must be followed by other parties. Below this is the ‘centre-periphery’, which is the group within the central region that accepts, internalises, and reinforces the narrative constructed by the central power. These two layers are connected by a harmonious relationship because their interests support each other and operate within the same value framework.

The next layer consists of the ‘periphery-centre’, namely actors in peripheral areas who have the capacity to adapt to central standards due to their access to resources, capital and technology. They become partners who functionally help to extend the reach of central norms to peripheral areas. Finally, at the lowest level, there is the ‘periphery-periphery’, which is the most vulnerable layer formed by structural dependence and a lack of ability to adapt to central standards. Relationships within this lower layer are

disharmonious due to an imbalance of interests and distribution of benefits. Overall, this structure illustrates the flow of power from the global centre to the periphery, which creates a hierarchy of interests and perpetuates the structural inequalities that are the hallmark of structural imperialism in international trade.

Galtung identifies five forms of imperialism that operate simultaneously: economic, political, communication/cultural, military, and social imperialism. In the context of this research, three of these are relevant to explaining the dynamics behind the decline in Indonesia's CPO exports following the implementation of the European Union Deforestation Regulation (EUDR). First, from the perspective of economic imperialism, the EUDR can be seen as a form of non-tariff barrier that restricts Indonesia's CPO market access to the European Union through the imposition of stringent sustainability standards. The additional financial burdens associated with certification, traceability systems (supply chain tracking), and administrative documentation compliance represent structural pressures that benefit the Center countries by undermining the competitiveness of products from the Periphery.

Second, from the perspective of political imperialism, the EUDR compels producing countries such as Indonesia to adjust their domestic policies including land-use permits, deforestation moratoriums, and certification systems to align with the European Union's version of sustainability standards. This reflects a form of intervention in the sovereignty of peripheral countries through trade regulation, without providing them with an equal bargaining position in the policymaking process. Third, communication or cultural imperialism manifests through negative campaigns against palm oil conducted by international NGOs and Western media, which have heavily shaped European consumer perceptions. This narrative has influenced market preferences, prompting companies to abandon CPO and shift demand toward alternative vegetable oils perceived as more environmentally friendly. Consequently, the Center countries not only define what is considered "sustainable" but also impose that definition globally.



Thus, Galtung's Structural Imperialism enables this study to go beyond a surface-level analysis of trade regulations. The theory provides a framework for understanding that the decline in Indonesia's CPO exports is not merely the direct result of regulations such as the EUDR, but rather a reflection of an asymmetric global power structure. Variables such as complex documentation, additional costs, negative public narratives, and declining demand represent tangible manifestations of how economic and cultural dominance by the European Union (the Center) operates to influence developing countries (the Periphery) that depend on specific commodities such as Indonesia with its palm oil industry.

## **1.6 Research Method**

This study uses a qualitative approach, which aims to describe in depth the factors that caused the decline in CPO exports to the European Union after the implementation of the EUDR policy. This approach was chosen because the study focuses more on understanding processes, actor interactions, and policy dynamics in the context of international relations.

### **1.6.1 Research Design**

This study employs a case study design, focusing on a specific case namely, the interaction between Indonesia and the European Union in the context of the implementation of the European Union Deforestation Regulation (EUDR) and its impact on CPO exports. The case study design allows the researcher to explore the technical, policy-related, and normative factors that influence this phenomenon.

### **1.6.2 Research Object**

The object of this study is Indonesia's Crude Palm Oil (CPO) exports to the European Union following the implementation of the EUDR policy. This research specifically highlights the decline in export volume and value, as well as the contributing factors both technical, such as traceability and certification requirements, and regulatory or political in nature.

### **1.6.3 Data Collection Techniques**

Primary data in this study will be obtained through in-depth interviews with relevant informants, including industry practitioners in the palm oil sector, representatives from the Indonesian Palm Oil Association (GAPKI), and academics specializing in the study of Indonesia's palm oil industry and the EUDR policy.

The interviews adopt John W. Creswell's qualitative interview approach, which emphasizes an in-depth exploration of participants' experiences, perspectives, and interpretations related to the research issue.<sup>17</sup> The main objective of these interviews is to gather firsthand insights from key stakeholders regarding the impact of EUDR implementation on Indonesia's CPO exports to the European Union.

Meanwhile, secondary data will be collected through literature review, including official government documents, research institute reports, scholarly articles, books, academic journals, and relevant information from institutional websites and mass media. The combination of primary and secondary data is expected to provide a comprehensive and in-depth understanding of the decline in Indonesia's CPO exports within the context of EUDR implementation.

### **1.6.4 Data Analysis Technique**

This study employs the Miles & Huberman data analysis model, which consists of three main stages: data reduction, data display, and conclusion drawing. By using this analytical model, the research can systematically and thoroughly explore and identify patterns, inter-variable relationships, and key factors contributing to the decline in Indonesia's CPO exports to the European Union following the implementation of the EUDR.

## **1.7 Basic Arguments**

Indonesian CPO exports have declined following the implementation of the EUDR, as the regulation represents structural imperialism practised by the European Union through three main dimensions: economic, political, and cultural/communication.

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<sup>17</sup> Creswell, J. W., & Creswell, J. D. (2017). *Research design: Qualitative, quantitative, and mixed methods approaches*. Sage publications.

From an economic perspective, the EUDR imposes certification costs, traceability systems, and high sustainability standards, thereby reducing the competitiveness of Indonesian CPO in the international market. From a political perspective, the EUDR forces Indonesia to adjust its domestic policies to align with EU regulations, demonstrating the dominance of the centre over the periphery. From a cultural/communication perspective, the EU reinforces a single Western narrative of sustainability and campaigns against Indonesian palm oil, thereby strengthening bias and negative perceptions in the global market. This situation reflects the imbalance in the relationship between the centre and the periphery, where the EU uses international trade and regulatory instruments to maintain its dominant position.

## **1.8 Organization of Chapters**

### **Chapter I: Introduction**

This chapter provides an introduction to the research topic, beginning with the background that explains the importance of the palm oil industry for Indonesia and the impact of the European Union Deforestation Regulation (EUDR) on Indonesia's CPO exports to the European Union. The researcher then formulates the research problem related to the topic under discussion. This chapter also outlines the benefits of the study, both theoretically for the field of International Relations and practically, for policymaking and the palm oil industry. In addition, it reviews relevant previous studies and introduces the theoretical framework used in this research, namely Johan Galtung's Structural Imperialism Theory. The chapter concludes with a summary of the research methodology and the structure of the thesis, providing an overview of its overall organization.

### **Chapter 2: Research Findings**

This chapter presents the main findings and data obtained from the research process, including literature review, documentation, interviews, and observations. The content includes an overview of the EUDR policy, statistical data on Indonesia's CPO exports to the European Union (before and after the implementation of the EUDR), and an analysis of the factors contributing to the decline in CPO exports.



### **Chapter 3: Analysis**

In this chapter, the researcher analyzes the factors causing the decline in Indonesia's CPO exports to the European Union following the implementation of the EUDR, using Johan Galtung's Structural Imperialism Theory. The analysis focuses on three main forms of domination: economic, political, and cultural. The increased compliance costs and technical barriers are examined as manifestations of economic imperialism, while pressures on Indonesia's domestic policies reflect political imperialism. Meanwhile, the shift in European consumer preferences resulting from negative campaigns against palm oil is analyzed as part of cultural imperialism. This chapter also demonstrates how these three dimensions are interconnected in reinforcing global structural inequality, thereby maintaining the European Union's position as a core power in global trade relations.

### **Chapter 4: Conclusion and Recommendations**

The final chapter presents the conclusions drawn from the analysis of the factors behind the decline in CPO exports following the implementation of the EUDR. It also provides recommendations as constructive inputs for future improvements. Both the conclusions and recommendations are derived from the findings and discussions presented in the preceding chapters.

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