

Timber Trade Diplomacy: Analyzing Indonesian Efforts and Delays in FLEGT License Implementation within the European Union

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Abstract

The purpose of this article is to analyze the factors contributing to Indonesia's evolving stance during negotiations for issuing FLEGT Licenses, employing qualitative research techniques and a single case study approach. Stephen Woolcock's Economic Diplomacy Theory is utilized as the analytical framework. This paper argues that structural, domestic, and ideological factors influence Indonesia's policy adjustments in response to the FLEGT license mechanism. The study reveals issues such as an imbalanced relationship between Indonesia and the EU in FLEGT implementation, policy inconsistencies among Indonesian governmental bodies involved, and perceptual discrepancies among stakeholders engaged in the process. The findings suggest that, in Indonesia's case, Woolcock's theory factors interact, with the pivotal relationship between interest and institutional variables within the domestic decision-making process significantly impacting changes in Indonesia's stance on economic diplomacy practices

Keywords; *economic diplomacy, Ministry of Trade of the Republic of Indonesia, Forestry Law Enforcement, Governance, and Trade (FLEGT), EU*

1. INTRODUCTION

Forests play a significant role in climate change and biodiversity loss around the world. Forests play a strategic role as a natural sink of greenhouse gases, particularly carbon dioxide emissions, which cause an increase in atmospheric temperature and maintain ecosystem balance. According to the Rainforest Alliance (August 12, 2018), reforestation does not Forests account for 10% of global emissions. At the same time, forest degradation reduces forest health and function, resulting in a 12-17% annual increase in carbon dioxide emissions (Dooley & Ozinga, 2011). Many projects have been launched to save forests, either through multilateral means, the use of commercial agreements, or voluntary instruments such as forestry certification (Dlamini & Montouroy, 2017). However, the aforementioned measures are ineffective in the implementation process since they lack the legal authority to prevent further deforestation and degradation. There are obviously reasons for these EU actions.

According to a report provided by the European Institute of Forestry, the EU is the world's largest market and consumer of these wood products. In 2007, the EU consumed 236 million cubic meters of wood products, with 60.4 million coming from imported items (Overdevest & Zeitlin, 2018). It invites you to swiftly ensure that wood products purchased on the EU market do not contribute to this illegal logging practice, which causes severe environmental damage. The EU is also building the rule of law at the supranational level through the Timber Regulation (EU-TR), which requires due diligence for exporters of timber products and products to the EU market (Overdevest & Zeitlin, 2018)

It is critical to investigate the consequences of illegal logging and the efficiency of current strategies to counteract it. Illegal logging not only adds to deforestation and biodiversity loss, but it also hampers attempts to combat climate change by releasing vast amounts of stored carbon into the atmosphere. The economic implications are also enormous, with estimates indicating that illicit logging costs governments globally billions of dollars in lost revenue each year (Tacconi Stefanelli et al., 2015) Despite several programs aimed at reducing illicit logging, such as forestry certification schemes and bilateral agreements, enforcement remains difficult due to inadequate resources and corruption in many forest-rich countries (Angelsen & Kaimowitz, 2001)

Furthermore, while the EU Timber Regulation (EU-TR) marks a step forward in tackling the issue of illegal timber trading, its effectiveness is dependent on strong enforcement measures and stakeholder engagement. However, compliance with the rule varies by EU member state, and there are worries about loopholes that could allow illegally obtained timber into the EU market (Fishman & Obidzinski, 2015). As a result, effective combating illicit logging requires extensive and coordinated measures at both the national and international levels. This could include strengthening legislative frameworks, increasing monitoring and enforcement capabilities, promoting sustainable forest management practices, and encouraging international cooperation and collaboration. We can protect our forests, mitigate climate change, and preserve biodiversity for future generations by tackling the core causes of illegal logging and putting in place strict preventative measures

Furthermore, it is critical to evaluate the role of Indonesian diplomacy in navigating the implementation of FLEGT licenses within the European Union (EU). Indonesia, being one of the world's top timber exporters, wields tremendous influence in international forestry governance. Negotiation and execution of FLEGT licenses mark a significant moment in Indonesian diplomatic attempts to influence the trajectory of forest conservation and sustainable management practices. By actively engaging with EU policymakers and stakeholders, Indonesia can advocate for measures that balance environmental protection and economic development, ensuring that FLEGT regulations do not unduly burden Indonesian timber exporters while effectively combating illegal logging and promoting responsible forestry practices. Furthermore, Indonesia's proactive participation in FLEGT negotiations demonstrates its global commitment to

combating deforestation and climate change, as well as its leadership in environmental diplomacy and willingness to work with international partners to achieve common goals. Thus, leveraging diplomatic channels to delay the implementation of FLEGT licences in the EU is a deliberate move by Indonesia to protect its economic interests while furthering broader environmental goals.

2. RESEARCH METHOD

This article is the product of qualitative research conducted utilizing a single case study method. The case study presented is the phenomena of Indonesia, one of the VPA partner countries that has changed its position in the FLEGT license negotiating process. The literature survey-based data collection method includes reviewing academic journals and scientific books, as well as tracing official documents such as government regulations in the form of laws, memoranda, executive orders, and archives of official meetings from relevant ministries in both the Indonesian and European Union. Several reference sources originated from online sources. In addition, data was collected through interviews with a variety of resource persons who are representative of the topic of inquiry.

3. RESULT AND DISCUSSION

This article draws on Woolcock's theoretical framework for economic diplomacy. Economic diplomacy was originally part of the study of diplomacy, and its development was influenced by current international relations specialists of realism and neorealism, allowing for the analysis provided to focus on the central role of state players (Lee & Hocking, 2018). However, as the reality of international relations becomes more dynamic and includes many factors such as economic, social, cultural, and political, some scholars incorporate analytical tools from other fields of social science, such as public economics and international business, which increases knowledge in the study of economic diplomacy to be more stable. According to Lee and Hocking using the scientific framework of economic science information offered by international politics and international trade develops the participation of diverse actors and shapes the process of economic diplomacy. According to Lee and Hocking's reasoning, Baynes and Woolcock (2011) suggest that economic diplomacy provides a larger framework than just analyzing the diplomatic activities of government officials like ambassadors and ministry workers. (Woolcock, 2011)

Economic diplomacy proposes many public policy processes in which non-governmental constituencies have an impact as a form of democratic systemic accountability. As a result, economic diplomacy is a proposed multilevel approach that includes systemic variables as well as variables at the international level of the domestic policy-making process. Both are significant concerns. Baynes and Woolcock define economic diplomacy as dealing with issues of business, finance, and the global environment (Bayne & Woolcock, 2011)

Table 1. Economic Diplomacy Factors

Systemic factors	Domestic factors	Ideation factor
Relative Economic power	Interest	The way the world or problem is viewed by the actors involved
International regimes	Institution and decision-making process	
Market		

Source: (Woolcock, 2011)

The relative economic powers variable is dominated by realism because it regards material issues as determining relations between sovereign states. Realism posits that states, as negotiators, will emphasize relative gains above absolute gains. As a result, this variable explains how the ability to shape the agenda and influence the outcome of negotiations is heavily influenced by the economic size and the economic modalities possessed by the states involved in the negotiations, such as population, natural resources, economic structure, and so on.

Indonesia's policy revisions in the FLEGT negotiations process in international commerce.

In international commerce, the study was carried out by adopting the thoughts linked to the variables that make up economic diplomacy, which include systemic, domestic, and ideational factors. Three factors can be regarded as influencing Indonesia's attitude during the final stages of the FLEGT Licence issuing discussions. These three factors are the asymmetrical connection between Indonesia and the European Union in the implementation of FLEGT, policy incoherence among relevant ministries and agencies, and disparities in stakeholder perceptions of SVLK duties.

The asymmetric relationship between Indonesia and the European Union's FLEGT adoption in international trade

In international trade law, the relative calculation of the Ministry of Trade as the designated agency in asymmetrical relations cooperation is adverse to Indonesia because the European Union does not completely implement its obligations. Warlock's assessment of relative economic power variables influences the outcome of negotiations. So the state has the capacity. With greater financial strength, it is easier to shape the objectives and outcomes of the defense. The institution can negotiate with the European Union, which is a stronger force than Indonesia, especially economically, so it directs the course of negotiations, such as the implementation of recognized standards or the enforceability of the timber legality monitoring system according to institutional standards. Regardless of the setting of power politics, it is important to emphasize that

the state, as a rational actor, is not passive in talks. Indonesia's Ministry of Trade views unequal collaboration with international trade.

However, the author concludes that the nature of economic diplomacy is to achieve the desired goals in both political and economic aspects. Okano Heijiman (2011: 17) understands this in terms of tactics for achieving state objectives. In this context, the state employs a variety of political instruments to increase its influence in discussions aimed at enhancing national economic well-being, as well as the use of financial resources to maintain the nation's political stability (Okano-Heijmans, 2011). As a result, deep economic diplomacy is required in the negotiation process. Additionally, Indonesia needs an adaptation mechanism for financial advantage.

Negotiation role of FLEGT license issuance

The negotiation procedure to simplify the SVLK FLEGT license is separated into three sections, namely. (1) Pre-negotiating stage, (2) VPA negotiation, and (3) implementation phase. During the pre-negotiation stage, partner countries concentrate on national decisions about participation in the VPA system. Because the conversations are centered on domestic concentration, the initial talks with the EU are still informal. However, at this point, all partner countries, including Indonesia, must adopt FLEGT principles such as involvement and transparency. Indonesia's VPA involvement is a key component of the country's political commitment to combating illegal deforestation and wood trade. In Indonesia's national decision-making process, various stakeholders, such as ministries and agencies, private entrepreneurs, and non-governmental organizations, enter into agreements that unanimously participate in the VPA system and use the SVLK.

In the second phase of the VPA discussions, negotiations with the EU were formalized and intensified. Several crucial milestones in the bilateral negotiations between Indonesia and the EU have been reached regarding their development. Some of these are the signature and ratification procedures. On September 30, 2014, representatives from Indonesia's government and the European Union signed the VPA agreement in Brussels. On May 4, 2014, the Indonesian government completed the ratification stage, as detailed in Presidential Decree No. 21/2014 on Ratification of the Voluntary Partnership Agreement between the Republic of Indonesia and the European Union on the implementation, management, and trade in timber products of EU forestry legislation (Timber Legality Information System (SILK), 2014). Ratification letters in the European Union must be approved by Parliament, as opposed to ratification in Indonesia, which is subject to the honorable President's regulations. Parliament has reservations about the ratification. This rejection is linked to a report evaluating Indonesia's efficacy in improving forest management.

However, these obstacles can be overcome by lobbying the Indonesian government and persuading parliamentarians in several ways, namely: first, confirming

the progress that has been made in forest management in Indonesia in 2013, as the situation is no longer as bad as it was 15-30 years ago; second, the introduction of professional environmental protection programs implemented by the Indonesian government; and third, the obligation of strict action against illegal logging. When the VPA discussions with the European Union concluded with ratification, the negotiation phase transitioned to the implementation phase of the negotiation outcomes contained in the text of the ratified voluntary partnership agreement. Unlike the previous two negotiation phases, the negotiating process for giving FLEGT licenses in the implementation phase, which was used to assess the performance of Indonesia's administrative reforms, did not proceed well. Given that the VPA negotiation process is democratic and susceptible, national-level policies do have an impact.

Obstacles arose during the issuing of FLEGT licenses in Indonesia following the repeal of policy no. 89/M-DAG/PERT/10/2015 issued by the Ministry of Trade of the Republic of Indonesia. Political developments impacted the implementation of the agreement with the EU FLEGT-VPA since it did not adhere to the non-discrimination principle agreed by the Union in Europe. That is why the EU encouraged Indonesia to examine its policy, fearing that politics would undermine any efforts to enhance management. Despite delays in the final phases of negotiations, Indonesia managed to conclude the partnership in 2008, equating the SVLK with the 2016 FLEGT license. Following EU requirements and criticism from non-governmental organizations, Indonesia, together with numerous connected traders, reviewed their policy published by the Minister of Business Regulation no. 25/M-DAG/PER/4/2016. Fortunately, this represents the granting of Indonesia's first FLEGT license, paving the way for Indonesian timber products to be easily available in European Union markets without having to pass checks for the existence of rules in international trade.

4. CONCLUSION

The discussion in this article demonstrates that, according to Woolcock's theoretical view, the policy formulation process of Indonesia's economic diplomacy in dealing with the FLEGT issue is complex, owing to systemic, domestic, and idea elements that interact dynamically. The change in Indonesia's attitude towards postponing its commitment to FLEGT in 2015-2016 was caused by three factors: the existence of asymmetrical relations between Indonesia and the European Union in the application of FLEGT implementation, policy incoherence between relevant ministries and agencies, and differences in perceptions of SVLK obligations among the actors involved, particularly business actors.

This article's discussion highlights the findings about the existence of "rivalry" driven by "bureaucratic politics". This research demonstrates how the Ministry of Trade and the Ministry of Environment and Forestry, as ministries/government entities actively involved and interested in the FLEGT negotiating process, hold irreconcilable

positions, resulting in an incoherent policy. Rivalry emerges as a result of pressure or influence from corporate entities interested in Indonesia's participation in the FLEGT scheme. Specifically, through its two working mechanisms, the voluntary partnership agreement (VPA) and the European Union Timber Regulation (EUTR), as well as supporting technical measures like the SVLK. The diametrical stance of MoT and MoEF is impossible to avoid because their primary tasks and functions, as well as departmental preferences, are institutionally different. Similarly, business actors represented by numerous associations of national timber producers and exporters have their perceptions shaped by their business logic for survival and economic gain in the face of worldwide market rivalry.

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