

## **INDONESIA'S ECONOMIC DIPLOMACY IN THE CONTEXT OF THE EU'S PALM OIL EMBARGO: REACHING OUT TO TURKEY AS AN ALTERNATIVE MARKET**

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### **Abstract**

Turkey was chosen as an alternative market by the Indonesian government after an embargo from the European Union, as Turkey has a high demand for palm oil from its food and oleochemical industries. In the energy sector, biodiesel extraction material can also not meet the needs. These are solid reasons for the Indonesian government to penetrate economic diplomacy through the Consulate General in Istanbul. In dissecting the performance of the Indonesian Consulate General in Istanbul, this research uses a qualitative method and economic diplomacy theory. This study found that the typology of Indonesia's economic diplomacy (2019) is more developed than it was in previous years.

### **Keywords**

Palm Oil; Economic Diplomacy; Indonesia; Turkey; Trade

### **Resumo**

A Turquia foi escolhida como mercado alternativo pelo governo indonésio após um embargo da União Europeia, uma vez que a Turquia tem uma grande procura de óleo de palma para as suas indústrias alimentares e oleoquímicas. No sector da energia, o material de extracção de biodiesel também não satisfaz as necessidades. Estas são razões sólidas para o governo indonésio entrar na diplomacia económica através do Consulado Geral em Istambul. Ao dissecar o desempenho do Consulado Geral Indonésio em Istambul, esta investigação utiliza um método qualitativo e a teoria da diplomacia económica. Este estudo concluiu que a tipologia da diplomacia económica da Indonésia (2019) está mais desenvolvida do que nos anos anteriores.

### **Palavras-chave;**

Óleo de Palma; Diplomacia Económica; Indonésia; Turquia; Comércio



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### **1. Introduction**

For various reasons, the Indonesian government must confront the prohibition of palm oil exports to the European Union. The vast expansion of palm oil plantations across 25 provinces and over 200 districts in Indonesia is a simple way of showing how impactful palm oil is for Indonesia. Indonesian Palm Oil Association (GAPKI) (2017) disclosed that palm oil has contributed to the regional development, and it can be seen through palm oil's *multiplier output* – reaching the value of 1.71, indicating that the output of palm oil is 1.71 times greater than the average value of other economic sectors. Palm oil also creates a more excellent employment opportunity by 2.6 greater than other sectors. Another thing to add is that the palm oil industry in Indonesia has been known for its inclusivity in terms of employment; as the result of labor-intensive plantation technology, thereby opening up employment opportunities for many sectors of expertise. More than 67% of the workforce education is below high school (GAPKI, 2018). Although palm oil has a large enough role to contribute to the first SDG's point – the No Poverty- the European Union has different angles on seeing Indonesian palm oil. In January 2018, the European Union Parliament supported the European Commission's announcement that palm oil in the form of biodiesel would be prohibited from entering the European continent beginning in January 2021. The European Commission believes that the Indonesian government's palm oil production is incompatible with the Renewable Energy Directives (RED), which seeks to prevent deforestation and peatland degradation (Verdinand, 2019). Internationally, Indonesia has been chastised for the development of its palm oil industry, which has always resulted in social and environmental conflicts. For example, the state of peatlands in Indonesia is debatable because they are frequently converted into oil palm production areas. Peatland clearing is frequently burned, resulting in a smoke haze that can potentially interfere with health problems and threaten biodiversity (Astuti, 2021).

Another issue still being debated in many countries is the standardization of Indonesian palm oil. The ISPO (Indonesian Sustainable Palm Oil) standard in Indonesia contradicts



the RSPO (Roundtable Sustainable Palm Oil) standard. According to the RSPO standard, oil palm production must collaborate to prevent deforestation. Meanwhile, the ISPO standard has received domestic and international criticism (Choiruzzad, Tyson and Varkkey, 2021). The European Union is concerned not only with environmental issues but also with the social consequences of oil palm production, such as poverty, land conflicts, and the erosion of indigenous peoples' social rights (Delabre and Okereke, 2020). However, palm oil is Indonesia's most important commodity. As a result, the Indonesian government is attempting to find new market share alternatives for selling palm oil. When it comes to banning palm oil from the European Union, we must first examine how this export commodity is produced in Indonesia. Sumatra and Borneo are the two Indonesian islands with the highest concentrations of palm oil production. Palm oil production from these two islands accounts for approximately 55% of global palm oil production. Indonesia contributed 38.17 million tons of the total global palm oil trade of 58.9 million tons (Suwarno, 2019). Palm Oil Agribusiness Strategic Policy Institute (PASPI) showed that the value of transactions produced by urban areas that are marketed from the community of oil palm plantations (including farmers and employees of oil palm plantations) reached Rp 336 trillion/year (GAPKI, 2018). The ownership of palm oil companies varies as well. State-owned enterprises own around 12% of oil palm plantation producers.

Meanwhile, private companies control 53% of the palm oil management concession. Finally, palm oil production employs approximately 35% of small and medium-sized businesses and is considered the bread and butter for around 19.5 million Indonesians (Larsen *et al.*, 2014; Soraya, 2019). According to data from the Indonesian National Statistics Agency, India is the primary destination for palm oil exports, accounting for 29% of total Indonesian palm oil exports. China is the second-largest importer of palm oil from Indonesia, accounting for 11% of total trade. It was followed by the Netherlands (9%), Malaysia (5%), Singapore (4%), Egypt (3%), and Germany (2%) (Ridwannulloh and Sunaryati, 2018). The European Union imports 7.2 million tons of palm oil, with Indonesian palm oil accounting for roughly 60% of this total (Kurniati, 2020). Regarding the EU's palm oil requirements, the region consumes 27% of total vegetable oil. To counter the EU's move to ban Indonesian palm oil from entering their market, Indonesia had to find a new alternative market. Turkey is one of the potential and feasible alternative countries for palm oil market share. Turkey's population continues to grow yearly and is supported by the high consumption of vegetable oils.

According to Suhaili (2015), Turkish vegetable oil consumption per capita in 2013 was 32 kg, 5 kg higher than the average global community. Consumption continued to rise and touched 2.48 million tonnes in 2014, almost 75,000 tonnes higher than the total consumption in 2013. Although Turkey is also considered a producer of vegetable oils, such as sunflower seeds and cottonseed, domestic production remains inadequate to meet its domestic vegetable oil demands. Suhaili (2015) explained that domestic production in 2014 was around 1.65 million tonnes, while consumption reached 2.47 million. Therefore, Turkey still needs to import more than 1.5 million tonnes of vegetable oil and fat annually. This enormous consumption is partly due to their use as a mixture for food and oleochemical industries. In addition to the food sector, the Turkish government is currently working to promote the use of biodiesel in an effort to improve the country's energy security. Eryilmaz *et al.* (2016) explained that at least Turkey must



import 3.5 million tonnes of sunflowers and spend around 3.75 million dollars per year since the establishment of the biodiesel proliferation program.

Currently, there have not been any existing free trade agreements between Indonesia and Turkey. According to an official press release issued by the Indonesian Ministry of Trade, the two countries are still in the negotiation stage of the Indonesia-Turkey Comprehensive Economic Partnership Agreement (IT-CEPA). This agreement is in its fourth phase and covers commodity trading agreements. Indonesian exports to Turkey totaled \$1.81 billion, with a surplus of \$639.9 million (Ministry of Trade Republic of Indonesia, 2019a). Turkey's position is quite strategic for Indonesia because, besides being an important trade partner, Indonesia sees Turkey as the main route to enter the Middle East, Southern Europe, and North Africa markets.

Meanwhile, Malaysia, Indonesia's main competitor in the palm oil industry, already has a free trade agreement with Turkey; Indonesia faces enormous challenges in entering the Turkish market (MITI, 2015). Malaysia can market its commodity products at lower tariffs thanks to the free trade agreement. In 2019, according to (Trade Map, 2019), the share of Turkey's palm oil import market came from Malaysia with a total of 94.6%. On the other hand, Indonesia is determined to enter Turkey's market to trade its palm oil commodities. Therefore it is interesting to understand how the Indonesian government is eager to penetrate the Turkish market without the help of free trade agreements, relying on the fate of one of their most essential commodities solely on economic diplomacy efforts through its consulate general in Istanbul. Hence, the authors suggest a research question: **How has Indonesia government develop its palm oil economic diplomacy towards Turkey?**

## 2. Literature Review

The researchers have compiled several previous studies that summarized Indonesia's diplomacy on the issue of oil palm. The purpose of searching previous research is to find novelty in scientific work (Creswell, 2014). According to Creswell (2014), the steps in looking for previous research are to look for differences in aspects of topics, problems, theories, methodologies, or research scopes. One previous study on the palm oil issue discussed the role of the World Trade Organization (WTO) in mediating disputes between Indonesia and the European Union (Sylvana *et al.*, 2020). When the European Union imposed a ban on palm oil imports into Europe, the Indonesian government took the issue to the multilateral level, enlisting the WTO as a mediator. The WTO's involvement is critical for the Indonesian government because it has an organizational chart tasked with problem-solving, namely the Dispute Settlement Body (Sylvana *et al.*, 2020). The other two studies address the issue of oil palm problems due to state policy. The first study chastised the Indonesian Standard Palm Oil (ISPO) certification for failing to adhere to the Roundtable on Sustainable Palm Oil (Choiruzzad, Tyson and Varkkey, 2021).

Meanwhile, subsequent research explains how the Indonesian government balances the need for oil palm production with the restoration of peatlands. Oil palm production frequently intersects with clearing peatlands via forest fires (Astuti, 2021). Three studies explain the relationship between economic diplomacy and the issue of oil palm in the context of the concept of economic diplomacy. The first study describes the European



Union's economic diplomacy efforts to prohibit importing Indonesian palm oil. The European Union aims to integrate economic growth to reduce carbon emissions (Verdinand, 2019). The second study describes Indonesia's economic diplomacy efforts in response to the ban on palm oil imports by prohibiting raw nickel exports. Nickel is an essential import commodity in Europe (el Qudsi, Kusumawardhana and Kyrchenko, 2020). Simultaneously, the third study examines Indonesia's economic diplomacy in responding to the ban by bolstering aspects of sustainable environmental development, biodiversity, and socioeconomic synergy (Suwarno, 2019). According to the authors' previous research, no scientific articles specifically discuss Indonesia's oil palm diplomacy with Turkey. As a result, the author will examine how Indonesia uses economic diplomacy to increase Turkey's palm oil market share.

### 3. Theoretical Framework

As a determinant of the direction of research, there must be a conceptual and theoretical framework that can be accounted for academically with all its validity. The right concept to analyze this research case is economic diplomacy. Economic diplomacy is strategically significant for a country to increase its national economic capacity. The economic diplomacy concept that will be used will refer to the analysis of trade promotion by Rana (2007) in the *Economic Diplomacy: The Experience of Developing States* in Bayne and Woolcock (2007) *The New Economic Diplomacy: Decision Making and Negotiations in International Relationship*. In addition to trade promotion, Bayne and Woolcock's (2017) concept will also be explained regarding the importance of the involvement of the private sector in economic diplomacy. Both concepts will identify how the Indonesian Consulate General in Istanbul functions as an actor in Indonesia's economic diplomacy missions in the palm oil trade sector. It is also necessary to analyze Indonesia's typology of economic diplomacy in penetrating Turkey. These will be conducted to see the current form of Indonesian economic diplomacy (in the first period of President Joko "Jokowi" Widodo). The theory that is suitable to be applied is Rana and Chatterjee's (2011) economic diplomacy typology. Secondary data sources used in this research are various research reports and scientific studies conducted before and various books, scientific journals, and news relevant to the topic. Primary data also supported this research through interviews with relevant agencies: the Assessment and Policy Office of the Ministry of Foreign Affairs, the Consulate General of the Republic of Indonesia in Istanbul, and the Indonesian Palm Oil Association.

#### 3.1. Theory and Approach

Economic diplomacy scientifically studies the complex relations of diplomacy and trade, cooperation, and ways to influence external economic policy. Rana (2007) revealed that one of the essential things that can be done to maximize economic diplomacy is through trade promotion activities. These activities include assisting domestic companies looking for overseas markets, market studies, business delegation visits, participation in international trade meetings, and buyer-seller meetings. Some steps that can be taken are (1) *Informing home business associations and individual enterprises on the primary economic conditions in the target country* - informing the economic condition of the



destination country to the exporter because this will be related to the level of goods acceptance in the destination country.; and (2) *Analyzing the potential markets for the home country* - In addition to the importance of analyzing market potential, potential competitors must also be identified and analyze how their products can reach that market.

While in Bayne and Woolcock's (2017) analysis of the importance of the involvement of the private sector in economic diplomacy, there is a decision-making process by the government in economic diplomacy with seven stages of the process, namely (1) Taking the Lead (officials and ministers); (2) External Consultation (officials and private sector players); (3) Internal Coordination (officials and regulators); (4) Political Authority (ministers); (5) Democratic Legitimization (legislatures); (6) International Negotiation (officials and ministers); and (7) Ratification of Agreement (legislatures). Of the seven stages, the focus will be on the second stage, namely External Consultation (officials and private sector players). The private sector refers to using think tanks or consultants to formulate economic diplomacy policies. Even though think tanks and consultants usually do not have a role in the negotiating phase, they are as important as state actors. Table 1 below explains the typology/classifications and levels of economic diplomacy, which will be used to see the form of Indonesian economic diplomacy.

Table 1 - Typology and Levels of Economic Diplomacy

No.	Classification	Traditional	Niche-Focused	Evolving	Innovative
1	<b>External Economic Management</b>	Handled by the trade & economic ministries; little involvement of MFA	Promotion concentrates on the identified niche	Some coordination between trade and foreign ministries; contestation also likely	Joined-up and other cooperative arrangements
2	<b>Policy Management</b>	Limited role for MFA, frequent turf battles	Good internal coordination	Inter-ministry or cabinet-level coordination; tending toward improvement	Institutionalized management, strong teamwork
3	<b>Role of Non-State Actors</b>	Episodic depends on the personality	Variable	New procedures, vital networking	Harmonization with all stakeholders
4	<b>Economic Aid: Recipient</b>	Handled by economic agencies, seldom coordinated with MFA	Limited coordination	Networking between the aid management agency and MFA	'Graduated' out of aid receipt, or close to that stage
5	<b>Economic Aid: Donor</b>	Unlikely to be an aid donor	Unlikely to be an aid donor	The modest program, usually covers technical cooperation	Expanding program, run by MFA in harmony with trade promotion agencies
6	<b>Trade Promotion</b>	Often handled by a commercial cadre, outside MFA control	Limited focus on the commercial promotion outside the niche area	Cooperative arrangements, often the integration of political and economic work	Well-coordinated activities, a role model in a range of activities
7	<b>Investment Promotion</b>	Handled by domestic agencies, limited role of the diplomatic system	Active use of embassy network	MFAs and embassies work actively with home agencies, often at the individual initiative	Strong team effort, based on institutional arrangements
8	<b>Regional Diplomacy Role</b>	Usually reactive	Focused on the preferred niche area	Active	Innovative exploitation of potential

Source: (Rana and Chatterjee, 2011).



Out of Rana's eight economic diplomacy classifications, five types can be identified to refer to Indonesia's economic diplomacy activities in the Turkish market: (1) External Economic Management – related to the practical steps of the Ministry of Foreign Affairs in collaboration with other government agencies; (2) Policy Management, which explains the involvement of the Ministry of Foreign Affairs in the formulation of external economic policies; (3) The Role of Non-State Actors, which emphasizes how the Ministry of Foreign Affairs can to accommodate the role of the private sector to support economic diplomacy; (4) Trade Promotion; and (5) Investment Promotion, which explains the extent of trade promotion and investment promotion carried out by the Ministry of Foreign Affairs.

#### **4. Methods**

The author employs qualitative methods in scientific articles to respond to problem formulation. Qualitative methods are commonly used in social science research to answer a social problem using language as scientific thinking (Creswell, 2007). In International Relations studies, the type of research used in this scientific article is a case study, which examines interactions between states and non-states that cross sovereign boundaries. Case study research investigates foreign policy, security studies, diplomacy, and international political economy (Roselle, Spray and Shelton, 2019). The author employs data collection techniques such as interviews and literature studies. The author used structured interviews to collect primary data and a structured interview technique that used interview guidelines as a research instrument (Creswell, 2014). Researchers will direct informants to answer questions based on interview guidelines during structured interviews. The authors interviewed three important informants such as: Head of Intra and Inter Europe and American Region Cooperation, Political and Trade Officer at Indonesia Consultae General in Istanbul, and Deputy Chairman of Indonesian Palm Oil Association (GAPKI). The authors consult journals and official documents during the literature review to supplement their research analysis. Creswell explains that in the case of study research, researchers can obtain secondary data in official documents, audio, video, and journal data from databases such as Scopus, PubMed, or Dimensions (Creswell, 2014). Embedded analysis, an analytical technique that focuses on one type of case, is used by the author during the analysis stage (Creswell, 2007). The author will only discuss Indonesia's palm oil economic diplomacy efforts in Turkey in this case study. In addition, the author introduces the concept of reflectivism in this scientific article. In social research, reflectivism means that authors can provide perspectives or views as long as they are supported by valid data (Creswell, 2014).

#### **5. Analysis**

##### **5.1. Indonesia's Economic Diplomacy Efforts with Turkey**

The performance of Indonesia's economic diplomacy in the context of the oil palm trade has been quite visible in previous years. The reason is that Indonesia's Ministry of Foreign Affairs has begun to be active in paving the way for companies to enter non-traditional countries. The neighboring country, Malaysia, has the Malaysian Palm Oil Board (MPOB), responsible for developing the oil palm plantation and its industry. Funds for MPOB's daily





activities come from using taxes on the oil palm plantations and the industry and grants for federal government research. Drawing on Rana (2007), we argue that the Indonesian government has chosen the Consulate in Istanbul as the main point of the economic diplomacy efforts in Turkey because they are harnessing the collaboration between state and private actors to achieve economic interest. Referring to Khalidi (2019), MPOB combines the Malaysian Palm Oil Research Institute and the Malaysian Palm Oil License and Registration Authority. While in Indonesia, export activities appear to be under private control and have minimal government support. As a private actor, Indonesian Palm Oil Association (GAPKI) faces difficulties when accommodating the activities of exporters, such as tariff and non-tariff blocks. The lack of one-stop coordination causes Indonesia's palm oil trade not to be structurally integrated within the ministerial body.<sup>1</sup> Correspondingly, there is still a perception from the government, especially the foreign ministry, regarding "who is interested and who is going to be the buyer," causing oil palm export activities not to go well. Support for promotional purposes is critical to maintaining the stability of a market because this is the main character of economic diplomacy. Economic diplomacy itself is very sensitive and reactive to market changes and developments. In line with Odell's (2019) analysis, economic diplomacy can fail if the market offers more attractive alternatives than the ones we currently have in our pockets. These alternatives can vary regarding investment value, exchange of goods and services, transfer of knowledge and technology, export and import tariff schemes, political support, and historical relations. Therefore, as Rana (2007) previously mentioned, the presence of state actors is necessary to oversee export activities.

### 5.1.1. Trade Promotions

So what can the embassy, or the consulate office, actually do? Referring to the analysis of Rana (2007), in *The Role of Embassies* chapter, it is revealed that some developing countries interested in taking non-traditional markets will face several problems. First, the exporting country does not have enough knowledge about the culture/condition of the country, which will make it harder to invest. Secondly, regulations regarding investment security and other norms designated by non-traditional markets are challenging to understand in exporting countries. It is feared that this will lead to non-tariff barriers. Thirdly, exporting countries do not have credibility in the eyes of importers. According to Rana, this can give birth to a *chicken-and-egg* syndrome, making it increasingly difficult to penetrate non-traditional markets. Therefore, to deal with various obstacles, embassies and consulates must align diplomatic missions with trade promotion activities, as written below:

- a) *Informing home business associations and individual enterprises on the basic economic conditions in the target country* – informing the economic condition of the destination country to the exporter, related to the level of acceptance of the goods in the designated country.

<sup>1</sup> The Indonesian Palm Oil Entrepreneurs Association has members consisting of Government-owned plantations (state-owned enterprises [BUMN]), national and foreign private plantation companies, and oil palm farmer cooperatives.



- b) *Analyzing the potential markets for the home country* – This second step is essential to see what products the host country needs. Apart from the importance of analyzing market potential, potential competitors must also be identified, and their products must be analyzed to reach the market. This method is used to explore the Mexican meat market and to export tea products to Egypt.
- c) *Credibility is also built when home exporters and manufacturers take part in trade shows in the target country* – exporters' credibility is necessary to increase the interest of potential buyers, and this can be promoted through exhibitions. In addition, the exhibition is also a place for knowledge transfer and supports research and development activities for a company to strengthen its products. Therefore, it is imperative to make the exhibition a success.
- d) *Permitting an exporter to hold a small buyer-seller show on the premises of the embassy or consulate* – most embassies now have unique rooms (trade centers) to organize promotional activities. Allowing companies to hold a show or an exhibition will increase their reputation and strengthen the relationship between companies and embassies. Rana explained that the Japanese Embassy was very active in doing this, causing companies to understand the embassy's role fully. Moreover, the state can also provide tariffs for exporters to carry out these promotional activities.
- e) *Visits by business delegations are a key method for export promotion and for FDI mobilization* – Approva Srivastava in Rana (2007) explains that a neat and directed visit will change the perceptions of a company's decision-makers. The embassy's professionalism will be seen from the visits, usually resulting in 'one-to-one meetings,' which lead to agreements between buyers and sellers.

At least there are two points, out of the points mentioned earlier, points *a* and *b*, which Indonesia has done as a strategy to increase trade in the palm oil sector with Turkey. This strategy is closely related to the Indonesian government's economic diplomacy efforts in promoting palm oil, precisely when the issue of the palm oil embargo is peaking. The government, through the Indonesian Consulate General in Istanbul, is moving quickly to conduct a so-called event of trade promotion where it was attended by around 60 Turkish entrepreneurs and speakers from Indonesia, such as the Chairperson of the Indonesian Oleochemical Producers Association (APOLIN), who was also the representative of GAPKI (Consulate General of the Republic of Indonesia in Istanbul, 2019). The activities carried out by the Indonesian Consulate General in Istanbul are in line with Rana's analysis:

- a) *Informing home business associations and individual enterprises of the basic economic conditions in the target country*. At this point, the Indonesian government's economic diplomacy scheme aligns with Rana's (2007) analysis. Consul General Herry Sudradjat delivered an update on the Indonesian economy and various business opportunities and information in Indonesia, primarily as a source of import for Turkey for several leading commodities such as rubber, tea, coffee, seafood, and textile yarn, and forestry products. The Chairperson of APOLIN, in his presentation, also explained the products of the Indonesian palm oil industry, which are widely imported by the Turkish industry, as well as their environmentally friendly nature. The choice of palm oil



products in this business forum is based on the consideration that palm oil is a product that has prospects for the Turkish market in the future. A state representative office must inform the state of its economy so that importers know the country's potential and exporter channels. The Indonesian Consulate General in Istanbul has also been cooperating with several business associations or chambers of commerce that are purely private or affiliated with the government, such as the Istanbul Chambers of Commerce (ICC), Independent Industrialists' and Businessmen's Association (MUSIAD), and Foreign Economic Relations Board of Turkey (DEIK).<sup>2</sup>

- b) *Analyzing the potential markets for the home country.* The lack of acceptance of Indonesian palm oil in Turkey is none other because Malaysia has already agreed with the Turkish government. As the leading competitor, Malaysian palm oil exports to Turkey have experienced a considerable surge, almost 50%, accompanied by a decline in Indonesian palm oil on the Turkish market. One way that Indonesia can take is to immediately realize the Comprehensive Economic Partnership Agreement (CEPA), which is expected to be a stimulus to boost Indonesia's palm oil exports. This agreement aims to provide guarantees of legal protection to exporters and investors from discriminatory practices or other adverse actions by the host country's government. Comprehensive Economic Partnership Agreement is also a very comprehensive free trade cooperation with coverage of product liberalization in almost all tariff posts, compared to the Preferential Trade Agreement (PTA), which only liberalizes specific tariff posts in Indonesia's bilateral trade.<sup>3</sup>

### 5.1.2. External Consultation (Private Sector)

The private sector is a think tank or consulting agency in formulating economic diplomacy policies. These private sector groups are usually absent at the negotiating table but are as important as state actors. Bayne and Woolcock (2017) also emphasized that in the formulation of an economic diplomacy strategy, external consultation is part of the parallel process of the body of the Ministry of Foreign Affairs, which also includes internal consultations. The difference between internal and external consultations lies within the involved actors. If internal consultations target other government departments (cross-sectoral departments), external consultations focus on actors outside the government. A department will carefully consult with the private sector to examine policies and whether they are following market conditions or not (Bayne and Woolcock, 2017). The department also consults with expert opinions, including academics and think tanks devoted to policy issues.

The involvement of private actors in the formulation of decision-making progress was seen in 2018 when the Ministry of Foreign Affairs, through the Policy Analysis and Development Agency (BPPK), approved the MoU of a joint research effort for palm oil market penetration with researchers and academics. The research found various alternative market references that Indonesia can rely on to divert exports to the

<sup>2</sup> This data was obtained when conducting an interview with the Consulate General of the Republic of Indonesia in Istanbul, Herry Sudrajat in October 2019.

<sup>3</sup> The Ministry of Trade is not the only one involved in drafting trade agreements. One thing that can be noted is the performance of the Indian Embassy which has been involved in the preparation and negotiation of single and regional free trade agreements, for further reading see Rana and Chatterjee (2011).



European Union, such as India and Pakistan. The importance of mapping the penetration of the palm oil market continues in 2019 when the Indonesian Consulate General in Istanbul cooperates with consultants in the field of market research, one of which is the recommendation of several selected companies in Turkey that have great potential to import palm oil products (Consulate General of the Republic of Indonesia in Istanbul, 2019). Furthermore, the primary data that the authors obtained from the Indonesian Consulate General in Istanbul revealed that they are currently conducting a market intelligence collaboration with a consulting firm to research opportunities for Indonesian peppercorn and stearic acid products. The scheme is carried out by disclosing several strategic questions to the consulting companies, summarized in Table 2.

**Table 2 - Focus Questions**

No.	Questions for Market Intelligence Research
1.	What criteria do you want in choosing the type of stearic acid?
2.	What is your annual consumption in tonnage?
3.	What is the average order from one supplier in tonnage?
4.	Who are your current suppliers? How satisfied are you?
5.	What criteria are you looking for from your suppliers?
6.	Are there any requests that have not been fulfilled so far?
7.	What price range do you want?
8.	Who is the sale aimed at (agent or end buyer)?
9.	In which sector is this product (stearic acid) consumed a lot? Do you sell your products to the following sector?
10.	What do you know about suppliers from Indonesia and stearic acid?
11.	Are you willing to become a distributor for goods from Indonesia? Please mention which field you are interested in and explain why.

Source: Interview with the Consulate General of the Republic of Indonesia in Istanbul, 2019.

The prospect of conducting economic diplomacy activities is directly affected by the steps adopted through research with think tanks. Bayne and Woolcock (2017) mentioned that external consultation had a profound effect since adopting a new economic diplomacy strategy. First, market developments are closely monitored by the private sector. Secondly, they master the field and are directly participating or practicing in it, knowing the right spot of locations and how to invest and sell goods and services for the benefit of a country. To improve the performance of economic diplomacy, a group of skilled people in the government and the private sector must understand and negotiate economic and trade issues from a national perspective. Problems in economic diplomacy are often complex and technical; departments cannot bring all the necessary experts. Therefore, economic diplomacy will most likely fail if a scarcity of skilled people who can negotiate has not been overcome yet. Bayne and Woolcock (2017) explained that assistance from academics and think tanks would greatly influence the formulation of a country's economic diplomacy strategy. In many places, there are channels devoted to this, such as panels on Climate Change, which mobilize the best scientific advice; the G20 Summit, which is now surrounded by B20 (for business); Civil 20 (for NGOs), and Think 20 (for academics).



According to an interview with the Deputy Chair of GAPKI, Togar Sitanggang (2019), the Ministry of Foreign Affairs is currently very proactive in conducting economic diplomacy studies in marketing palm oil products in various non-traditional markets. The Indonesian Palm Oil Association saw this as a signal that the Ministry of Foreign Affairs already focuses on economic diplomacy; in contrast, during the leadership of Susilo Bambang Yudhoyono, economic diplomacy was not necessarily implemented. In addition, GAPKI also saw that the Ministry of Trade, which should have been the leading actor in promoting oil palm, did not play an active role (Sitanggang, 2019). The Foreign Ministry's overseas representative offices actively conduct joint studies with GAPKI to be able to formulate a strategy if a problem arises. However, GAPKI did not deny that the Foreign Ministry's response in assessing the Turkish market is considerably slow. The Indonesian Palm Oil Association asked the Ministry of Foreign Affairs to conduct penetration efforts three years ago, but the response was given one year after (Sitanggang, 2019). As Turkey is not the leading destination for palm oil exports and implementing the Ministry of Foreign Affairs's 2015-2019 Strategic Plan in the economic diplomacy sector is not an easy effort to conduct, the slow progress is somehow understandable. The typology of Indonesian diplomacy is loaded with the traditional sector, and it requires a long and sustainable time to move on to economic diplomacy because they have to adjust; one of the ways is by training existing diplomats (Sitanggang, 2019).

The Ministry of Foreign Affairs recognizes the existence of the private sector in conducting studies in formulating economic diplomacy strategies. Although studies on the Turkish market are still not visible, the Ministry of Foreign Affairs disclosed that in a few years, Turkey would be a priority country for Indonesian oil palm (Coordinating Ministry for Economic Affairs of the Republic of Indonesia, 2019). The Ministry of Foreign Affairs plays an active role in cooperating with the private sector to conduct studies because oil palm is the priority of Indonesia's economic diplomacy at this time (Windratmo, 2019). Based on an interview with the Head of the European American Intra Region Cooperation Division at the Ministry of Foreign Affairs, Windratmo, he explained that in the next five years, the Ministry of Foreign Affairs would become the frontline of promoting oil palm to several destination countries. Therefore, many studies, seminars, and disseminations invite think tanks and academics to formulate palm oil diplomacy (Windratmo, 2019). Sabaruddin (2017) explained that the Ministry of Foreign Affairs, as the frontline of Indonesian diplomacy, began to realize the importance of including the economic diplomacy agenda as one of the top priorities in Indonesia's foreign policy.

## **5.2. Indonesia's Economic Diplomacy in Turkey**

Adding another set of analyses to identify the types of Indonesian economic diplomacy activities in the Turkish market is necessary to see the current position of the stage in which the Indonesian government is conducting its activities. The set of analyses that will be used refers to Rana's typology of economic diplomacy in developing countries, which can be seen in Table 3. Rana divided the typology of diplomacy into four levels and eight types. The levels are traditional, niche-focused, evolving, and innovative. The types are External Economic Management; Policy Management; Role of Non-State Actors; Economic Aid: Donor; Economic Aid: Recipient; Trade Promotion; Investment Promotion; and Regional Diplomacy Role. Out of the eight Rana economic diplomacy classifications,



five types can be identified in reference to the Indonesian government's economic diplomacy activities on the Turkish market (Table 3): External Economic Management; Policy Management; the Role of Non-State Actors; Trade Promotion; and Investment Promotion.

- (1) The role of the Ministry of Foreign Affairs in **External Economic Management** has begun to appear; this is due to the collaboration between the Ministry of Trade, and the Ministry of Foreign Affairs in holding a business forum in Turkey. Therefore, the authors analyze that the Ministry of Foreign Affairs has entered the evolving stage, which emphasizes coordination across government agencies. This collaboration was rarely seen in previous years because most diplomacy undertaken by the Ministry of Foreign Affairs was mainly related to borders, traditional security, transnational crime, and other high political issues. In contrast, common political issues are handled by other ministries, such as the Ministry of Tourism and Creative Economy, which handles cultural diplomacy, and the Ministry of Trade, which manages economic diplomacy. Ironically, these agencies also have and educate their so-called diplomats; therefore, it would be hard for the Ministry of Foreign Affairs to offer their diplomats to participate in specific issues these agencies address (Killian, 2012).
- (2) Although the role of the Ministry of Foreign Affairs has begun to be seen in External Economic Management, the formulation and governance of policies (**Policy Management**) its role is still limited. This can be seen in the absence of the Ministry of Foreign Affairs as a working partner of the Coordinating Ministry for Economic Affairs in formulating both external and internal economic policies. Per Presidential Regulation No. 8/2015, the Coordinating Ministry for Economic Affairs only cooperates with ten related Ministries, as shown in Table 3.

Tabel 3 - Coordination of Coordinating Ministry for Economic Affairs

No.	Ministries
1.	Ministry of Finance (Sri Mulyani Indrawati)
2.	Ministry of Industry (Airlangga Hartarto)
3.	Ministry of Trade (Enggartiasno Lukita)
4.	Ministry of Agriculture (Andi Amran Sulaiman)
5.	Ministry of Environment and Forestry (Siti Nurbaya)
6.	Ministry of Manpower (Hanif Dhakiri)
7.	Ministry of State-Owned Enterprises (Rini Soemarno)
8.	Minister for Public Works and Human Settlements (Basuki Hadimuljono)
9.	Ministry of Agriculture and Spatial Planning (Sofyan Djailil)
10.	Ministry of Cooperatives and Small to Medium Enterprises (Anak Agung Ngurah Puspayoga)

Source: (Ministry of Trade Republic of Indonesia, 2019b)

- (3) At **the Role of Non-State Actors** stage, it is seen that the Ministry of Foreign Affairs has changed a lot and entered the stage of evolving – new procedures and intense networking. The existence of private sectors in formulating economic diplomacy strategy is a new thing for the Ministry of Foreign Affairs and began to be seen in the era of Joko Widodo's leadership, which emphasized that diplomats must be able to become a *salesperson*. So far, diplomats are not yet equipped with



the ability to carry out these tasks, and the Ministry of Foreign Affairs has begun to work with the private sector to realize this. The Ministry of Foreign Affairs currently accommodates many academics and think tanks in formulating a diplomatic strategy for palm oil. The Indonesian Palm Oil Association is one of the participating partners. This was then manifested when the Indonesian Consulate General in Istanbul cooperated with several business associations/chambers of commerce that were purely private business firms and firms affiliated with the government.<sup>4</sup> The results will be used as policy recommendations in determining the number of selected companies in Turkey with great potential for importing palm oil and its derivative products.<sup>5</sup>

- (4) Whereas in the **Trade Promotion** and **Investment Promotion** sector, the Indonesian Consulate General in Istanbul has conducted business forum activities between businesses of the two countries to promote palm oil products in 2019. These activities have given a good image to the Indonesian Ministry of Foreign Affairs; DEIK conveyed its commitment to facilitate communication between the Turkish food and cosmetics industry with APOLIN, related to palm-derived oleochemical and stearic acid products. Meanwhile, three Turkish pepper importers are interested in exploring pepper imports from Luwu because of the promotion of pepper that has been carried out in conjunction with the promotion of palm oil, one of the importers even planned to inspect the location of the plantation shortly (Ministry of Foreign Affairs, 2019). This business forum continued in July 2019 when the Ministry of Trade and the Ministry of Foreign Affairs, through the Indonesian Consulate General in Istanbul, led a delegation of Indonesian entrepreneurs to meet with DEIK and Turkish palm oil entrepreneurs.

Table 4 - Indonesia's Economic Diplomacy Efforts in Turkey

No.	Classification	Indonesian Economic Diplomacy Practices	Typology
1.	External Economic Management	The Ministry of Foreign Affairs and the Ministry of Trade have implemented collaborative external economic activities	<b>Evolving</b>
2.	Policy Management	In the formulation of external and internal economic policy, the role of the Ministry of Foreign Affairs is minimal; the Coordinating Ministry for Economic Affairs only cooperates with ten ministries	<b>Traditional</b>
3.	Role of Non-State Actors	The Ministry of Foreign Affairs has coordinated with the private sector (market research consultant) in the formulation of market penetration strategies in Turkey	<b>Evolving</b>
4.	Trade Promotion	Trade promotion is limited to commercial activities and only targets priority commodities	<b>Niche-Focused</b>
5.	Investment Promotion	The Ministry of Foreign Affairs, through its representative office in Istanbul, actively carries out investment promotion activities	<b>Niche-Focused</b>

<sup>4</sup> Through interviews with GAPKI, previously, many studies were conducted between the Ministry of Foreign Affairs and GAPKI in formulating strategic policies to the Turkish market. One of the formulations produced by the results is an analysis that Indonesia must immediately realize Indonesia-Turkey CEPA.

<sup>5</sup> In a final report issued in 2011, Killian explained that the Ministry of Foreign Affairs received criticism from the legislature regarding the performance of the Ministry of Foreign Affairs diplomacy on issues that are 'non-political' or in other words issues that are categorized as low politics. This criticism is related to the failure of the Ministry of Foreign Affairs' economic diplomacy which is seen as too 'political,' so that it does not show tangible results for the Indonesian economy.



From Table 4, it can be seen that the typology of Indonesia's economic diplomacy regarding the palm oil trade in the Turkish market has taken a mature form. Four classifications are no longer at the traditional level, which means that the Ministry of Foreign Affairs is already aware of the importance of increasing the capacity of the national economy through economic diplomacy. However, Policy Management is still at the traditional level; this has to get further attention because the Ministry of Foreign Affairs in external policy formulation is necessary to increase market penetration accuracy and maintain market stability. Given the increasingly dynamic global economic competition and other countries competing to protect their national products from being accepted in the industry, tariff and non-tariff barriers have become a hot issue. Therefore, each department or ministry needs to work together as a team.

The authors will discuss two important points related to the implementation of external economic management and the involvement of non-state actors in the Turkish market penetration process, as shown in Table 3 above. According to an interview with the Indonesian Consulate General in Istanbul, the Indonesian Ministry of Foreign Affairs and the Indonesian Ministry of Trade collaborated to achieve Indonesia's national interest, from marketing palm oil commodities to potential markets outside the European Union. Why can we say that this collaboration has evolved? Each agency or ministry is a political and policy engine in intra-government cooperation. The distinction between ministries is no longer relevant in policy formulation, particularly in the economic and political fields. The main reason is that each agency or ministry has overlapping tasks (Yao *et al.*, 2022). In theory, each ministry is free to set its agenda and implement policies. Some of their policy agendas necessitate input from other ministries. The authors contend that the collaboration between ministries in the Indonesian government is no longer fragmented but has synergized. As a result of this collaboration, the government's policies are no longer ambiguous and floaty (Bäck *et al.*, 2022). As a result, the Indonesian government's diplomacy to enter the Turkish market has evolved. Another diplomatic practice that has evolved is the involvement of non-state actors in Indonesia's trade diplomacy.

According to the primary data in this scientific article, the Indonesian government has been working with the Indonesian Chamber of Commerce (KADIN) and private palm oil companies. The Indonesian government invited KADIN and private companies to participate in trade promotions at the 2019 MUSIAD Expo, Turkish and Indonesian entrepreneur business forums, and the 2019 KADIN Business Expo in Istanbul. Non-state actors in this manner include business actors. In terms of work scope, they are in direct contact with the community to understand human needs thoroughly (Jakobi, 2016). Non-state actors in diplomacy, for example, are no longer "second class citizens" but have evolved to become an integral part of the state. Udovič (2011) stated that under the legal umbrella of trade cooperation between countries, business actors in diplomacy are involved in promoting trade and building cooperation with business actors in other countries. Two factors underpin the collaboration of diplomats and business actors in advancing the country's economic interests. Cooperation among business actors can contribute foreign exchange to the state treasury. Cooperation among business actors can improve product competitiveness and access to new markets (Naray, 2011). Looking at the empirical examples above, the involvement of non-state actors demonstrates that the Indonesian government's economic diplomacy practice, particularly in the palm oil





sector, has evolved. The most difficult challenge for Indonesia in this issue of palm oil exports is figuring out how to outperform Malaysia. According to an interview with the Indonesian Consulate General in Istanbul, the Turkish government imposed a 21% import tariff on Malaysia because the two countries already had a free trade agreement.

Meanwhile, the Indonesian government received a 31% import tariff. As a result, the Indonesian government has rushed to complete the Indonesia-Turkey Comprehensive Trade Agreement (IT-CEPA) cooperation to avoid high tariffs on Indonesian exports. As previously stated, inter-ministerial collaboration is required to overcome this challenge. The Indonesian Ministry of Trade is a negotiator in developing free trade rules. The Indonesian Ministry of Foreign Affairs was the primary negotiator (Killian, 2021). Furthermore, the Indonesian government must be able to maximize economic diplomacy tools like free trade agreements to market its commodities abroad. The free trade agreement allows Indonesia to make its export commodities known to a larger audience. For example, Indonesia's exports fell from 203 billion to 176 billion dollars between 2011 and 2014 (Sabaruddin, 2017). As a result, the Indonesian government must work hard to implement the IT-CEPA agreement as soon as possible so that Indonesian palm oil export commodities can compete with Malaysian palm oil export commodities. The Indonesian government must consider other critical points when developing an export strategy for palm oil diplomacy. The goal is to boost Indonesia's palm oil commodity's competitiveness in the global market. To boost Indonesian palm oil's competitiveness in the Turkish market, the Indonesian government must first create a comparative advantage for the commodity. One approach is to map export commodity products' quality, benefits, and price (Sudirman, 2016). The Indonesian government can learn about the advantages of their palm oil products compared to other countries through this mapping to compete in the Turkish market. Another critical factor is the certification of this export commodity product in accordance with environmental sustainability norms and principles (Jose, 2021).

The European Union prohibits using Indonesian palm oil products because they are not environmentally friendly. The Indonesian government must certify its palm oil before exporting it to Turkey. In addition to adding value to the product, environmental certification can foster a positive image of this commodity in the eyes of the public by demonstrating that Indonesian palm oil products adhere to sustainability principles. Market mapping is another critical step that the Indonesian government must take. Market mapping is required for various international trade and foreign investment policies. The state can determine the level of consumption and basic needs of the community using this mapping. Of course, companies who want to expand their product lines require this information as part of their marketing strategy (Côté, Estrin and Shapiro, 2020). In this case, the export of palm oil to Turkey, the Indonesian government must provide market intelligence to business actors on the Turkish people's palm oil needs regularly, as well as continue actively cooperating with business actors in the economic diplomacy process so that the Turkish people are familiar with Indonesian palm oil products. It is hoped that through market intelligence strategies and collaboration between state and business actors, Indonesian palm oil products will be able to compete with Malaysian products as part of an effort to mitigate the European Union's ban on palm oil.



#### 4. Conclusion

The Ministry of Foreign Affairs' penetration through economic diplomacy can be seen when the Indonesian Consulate General in Istanbul carefully conducts trade promotions through business forums of the two countries to bring exporters and importers of palm oil together. This step can be considered as one of the first steps in the increasing performance of Indonesia's economic diplomacy to introduce palm oil more comprehensively to importers. The Indonesian Consulate General in Istanbul also conducted external consultations with the cooperation of private sectors such as consultants and think tanks to map potential Turkish companies for Indonesian palm oil exports. Economic diplomacy has also taken a more mature form, only Policy Management that is currently in the indication of traditional level; Trade Promotion and Investment Promotion are at the niche-focus level, and even two other forms – External Economic Management and the Role of Non-state Actors, are at the evolving level. Indeed this is a leap for the Ministry of Foreign Affairs, as well as breaking the assumption that the traditional diplomacy paradigm still adheres to the general practice of Indonesia's diplomacy. However, there needs to be careful attention because, in the Turkish market, tariff barriers that impose on Indonesian exporters a higher price than Malaysia still exist. Other things to keep in mind are reassessing and recertifying Indonesian palm oil's environmental and societal footprint following the global sustainability principles. Market mapping is also necessary to overcome current barriers imposed by any market. These will surely help penetration Indonesian palm oil to an even larger market.

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