



WTO Decision and Its Implications for the Indonesia-EU Trade Agreement

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ABSTRACT

This study explores the implications of the World Trade Organization (WTO) decisions on trade relations between Indonesia and the European Union (EU), particularly in the context of disputes over nickel exports and palm oil regulations. The need for fair and balanced trade arrangements highlights the relevance of WTO rulings as they shape both domestic policy adjustments and bilateral negotiations. The purpose of this study is to analyze Indonesia's legal and political position in WTO disputes with the EU and to identify the extent to which WTO decisions influence the Indonesia–EU Comprehensive Economic Partnership Agreement (IEU-CEPA). The method used is a qualitative approach with a descriptive design, involving data collection through literature reviews, official WTO documents, and policy analysis. The results of the study show that WTO decisions create both challenges and opportunities for Indonesia. On one hand, they limit Indonesia's regulatory autonomy in implementing export restrictions and protective measures. On the other hand, they push Indonesia to harmonize its regulations with international trade standards and strengthen its bargaining position in bilateral negotiations with the EU. However, the effectiveness of WTO rulings is often constrained by political-economic interests, enforcement limitations, and prolonged dispute resolution mechanisms.

Keywords: WTO, Putusan Internasional, Perjanjian Perdagangan, Indonesia-Uni Eropa

1. Introduction

International trade today is one of the most important instruments in determining the direction of a country's economic growth (Prahaski and Ibrahim 2023). In the midst of the rapid flow of globalization, almost no country can stand alone without establishing trade relations with other countries (Wulandari, Soleha, and Wulandari 2023). Trade liberalization, cross-border flows of goods and services, as well as investment and technology linkages make international trade the backbone of development, especially for developing countries such as Indonesia (Jamila 2024). This is where the role of the World Trade Organization (WTO) becomes so significant. Since its establishment in 1995 as a successor to the 1947 General Agreement on Tariffs and Trade (GATT), the WTO has not only functioned as a forum for trade negotiations, but also as an institution that oversees the implementation of rules and resolving trade disputes between countries (Kurniawardhani 2021). The existence of the WTO provides legal certainty and relatively fair instruments in managing trade relations between member countries.

For Indonesia, its involvement in the WTO since its inception is a strategic step to expand international market access while protecting domestic interests. Indonesia as a developing country faces a dilemma between encouraging economic growth through free trade and maintaining the sustainability of domestic sectors that are vulnerable to the onslaught of foreign products. In practice, domestic policies often clash with multilateral trade principles enforced by the WTO. However, the existence of the WTO still provides a great opportunity for Indonesia to fight for its interests, especially in trade disputes with developed countries.

One of the trade relations that has high significance is between Indonesia and the European Union. The European Union is Indonesia's third-largest trading partner after China and the United States (Heriamsal 2024). Indonesia's export products to the EU include palm oil, fishery products, rubber, coffee, textiles, and furniture, while Indonesia imports machinery, vehicles, medicines, and technology products from the region. This relationship is not only based on economic aspects, but also political, legal, and social, so that every trade policy dynamic between

the two sides always has wide implications. One of the most prominent issues and even led to disputes at the WTO was the issue of crude palm oil (CPO) (Sally 2016).

The European Union in recent years has implemented strict policies against the use of palm oil on the grounds of environmental sustainability and climate change (Sulistya 2023). Through the Renewable Energy Directive II (RED II) regulation, the European Union restricts the use of palm-based biofuels as they are considered to contribute to deforestation and environmental damage. This policy in practice closes large access for Indonesia's mainstay products to the European market (Saragih and Rahayu 2022). The Indonesian government considers the policy to be discriminatory and violates the principle of non-discrimination as stipulated in the General Agreement on Tariffs and Trade (GATT) and the Technical Barriers to Trade (TBT Agreement) (Ferdin 2024). On that basis, Indonesia filed a formal lawsuit with the WTO to challenge the legality of the EU policy. This trial process shows that the WTO dispute resolution mechanism is a vital instrument in protecting Indonesia's trade interests.

The palm oil case is just one concrete example of how WTO decisions can have far-reaching implications for bilateral trade relations. The WTO decision will not only determine Indonesia's palm oil market access to Europe, but also affect the dynamics of the Indonesia-European Union Comprehensive Economic Partnership Agreement (IEU-CEPA) negotiations that are currently still ongoing. If Indonesia wins this dispute, then the bargaining position in the IEU-CEPA negotiations will be stronger, while if it is the opposite, Indonesia must find a new strategy so that superior products are still able to compete in the global market. Thus, the analysis of the WTO decision is very important because it concerns Indonesia's long-term economic interests.

Several previous studies have tried to examine this issue from various perspectives. Research conducted by (Fauzi 2023) entitled "*The Role of the World Trade Organization (WTO) in Environmental Protection in the Era of Trade Liberalization*" shows that the WTO not only functions as an institution that regulates free trade, but also has the authority to balance global economic interests with environmental protection issues. Fauzi emphasized that international trade disputes often intersect with environmental regulations, so the WTO is faced with a dilemma between maintaining market access and preventing trade practices that undermine sustainability.

Another research was conducted by (Amany and Tobing 2024) in 2024 with the title "*Indonesia's Response to the European Union's RED II Policy*". This research discusses in depth the EU's RED II policy that restricts the use of palm oil and how Indonesia responds through economic diplomacy and international law. Amany concluded that although Indonesia has pursued various strategies, the challenges remain great because the EU's policies have strong support from public opinion and European domestic politics. In such conditions, the dispute resolution mechanism at the WTO is seen as the main path that Indonesia can take. However, this study has not reviewed the direct implications of the WTO decision on the *Indonesia-European Union Comprehensive Economic Partnership Agreement (IEU-CEPA)* negotiations and the direction of Indonesia's long-term trade policy. Both studies show an important contribution to understanding the trade dispute between Indonesia and the EU, but also leave a gap in the literature, particularly regarding an in-depth analysis of the implications of the WTO ruling on the future Indonesia-EU trade relationship.

The urgency of research on the WTO decision and its implications for the Indonesia-EU trade agreement can be seen from several sides. First, the palm oil trade dispute with the European Union has set an important precedent that can affect other sectors, such as fishery products, textiles, and the carbon policy that the European Union has begun to introduce. Second, the ongoing IEU-CEPA negotiations require a strong legal and political footing, where the outcome of the WTO decision will be one of the determining factors. Third, from a national perspective, this research is important to formulate legal strategies and trade diplomacy so that Indonesia is not harmed by the covert protectionist policies of the European Union. Fourth, from the academic side, this research will enrich the study of the interaction between international law, trade policy, and the national interests of developing countries.

With this urgency, this study has a clear objective, namely: to analyze Indonesia's legal position in trade disputes with the European Union at the WTO; examine the implications of the WTO decision on the Indonesia-EU trade agreement, both normatively and in practical implementation; assess the extent to which the WTO decision can strengthen or weaken Indonesia's position in the IEU-CEPA negotiations; and provide policy recommendations for Indonesia in dealing with similar trade disputes in the future.

The benefits of this research can be reviewed from two sides. Theoretically, this research will contribute to the international trade law literature, especially in the context of developing countries facing developed countries in

WTO forums. The research also adds an academic perspective on how international law interacts with national trade policies. Meanwhile, practically, this research is expected to be a reference for the Indonesian government in formulating legal strategies and trade diplomacy with the European Union, providing understanding to business actors about the impact of the WTO decision on market access for Indonesian products in the European Union, and being considered in the IEU-CEPA negotiations so that Indonesia can obtain a stronger bargaining position.

Thus, this study not only offers a normative analysis of WTO decisions, but also presents strategic dimensions that are important for national economic interests. The palm oil dispute is just an entry point to see how the WTO functions in practice, but more than that, this study wants to show that WTO rulings will always have far-reaching implications for the future of Indonesia's trade relations with the EU. Therefore, critically understanding the WTO decision is an urgent need for Indonesia in formulating a direction of foreign trade policy that is sustainable, fair, and beneficial for national development.

2. Method Research

This research uses a juridical-normative approach supported by a juridical-comparative approach and a case approach (Hastia 2025). The juridical-normative approach was chosen because this study focuses on the study of international legal norms, especially international trade law as regulated in the WTO agreement, as well as legal rules born from bilateral agreements such as *the Indonesia-European Union Comprehensive Economic Partnership Agreement (IEU-CEPA)*. In this approach, law is understood as the norm written in relevant international instruments and national regulations, as well as the principles established through dispute settlement practices at the WTO.

In addition, a juridical-comparative approach is used to compare the regulations implemented by the European Union, such as *the Renewable Energy Directive II (RED II)*, with the WTO provisions on the principles of non-discrimination, *national treatment*, and *most-favoured nation (MFN)*. This comparison is important to assess the extent to which the EU's policy on palm oil is consistent or contradictory to its international obligations as a member of the WTO. The case approach (Irwansyah 2022) is used to analyze in depth the trade disputes between Indonesia and the European Union that have been submitted to the WTO, both related to biodiesel (DS480) and palm oil disputes (DS593). The analysis of these cases allows the research to examine how the WTO interprets international trade rules and their implications for Indonesia's bargaining position in trade negotiations.

This comparative analysis is essential to assess whether the European Union's restrictions on palm oil-based biofuels constitute legitimate environmental measures or amount to discriminatory trade barriers that are inconsistent with the EU's international obligations as a WTO member. Furthermore, a case approach (Irwansyah, 2022) is applied to examine in depth the trade disputes between Indonesia and the European Union submitted to the WTO, particularly Indonesia – Measures Concerning Palm Oil and Oil Palm Crop-Based Biofuels (DS593) and EU – Anti-Dumping Measures on Biodiesel from Indonesia (DS480). Through an analysis of panel and appellate body reports, this study evaluates how the WTO interprets international trade rules in environmentally sensitive disputes and analyzes the implications of these rulings for Indonesia's legal position and bargaining power in the Indonesia–European Union Comprehensive Economic Partnership Agreement (IEU-CEPA) negotiations.

This type of research is descriptive-analytical (Fadhilah 2025). Descriptive because the research seeks to systematically describe the dynamics of the Indonesia-EU trade dispute within the framework of the WTO, including the chronology, legal arguments, and the resulting rulings. Analytical because the research does not stop at description, but also critically examines the legal implications of the WTO ruling on the trade agreement between the two parties, both in the normative and practical dimensions. The research data source consists of secondary data which includes primary, secondary, and tertiary legal materials. Primary legal materials include WTO agreements, panel and Appellate Body rulings, as well as relevant international legal regulations. In addition, bilateral trade agreements were also analyzed, including official documents of the IEU-CEPA negotiations. Secondary legal materials include academic literature, journal articles, books, and relevant prior research. Tertiary legal materials are legal dictionaries, encyclopedias, and other supporting documents that help understand technical terms.

The data collection technique was conducted through a comprehensive literature review of international trade law and international economic law, complemented by an examination of official documents issued by the World Trade Organization (WTO), the Indonesian Ministry of Trade, and the European Commission (Sahar et al., 2025). At the international level, the regulatory framework analyzed includes the General Agreement on Tariffs and

Trade (GATT) 1994, particularly Articles I and III concerning the principles of most-favoured nation (MFN) and national treatment; the Agreement on Technical Barriers to Trade (TBT Agreement); the Agreement on Subsidies and Countervailing Measures (SCM Agreement); and relevant WTO dispute settlement reports, especially in cases DS480 and DS593. In addition, this study examines the Renewable Energy Directive II (RED II) and Commission Delegated Regulation (EU) 2019/807 as the primary European Union policies regulating palm oil-based biofuels. At the national level, the analysis refers to Indonesian regulations related to trade and palm oil governance, including Law Number 7 of 2014 on Trade, Law Number 39 of 2014 on Plantations, Presidential Regulation Number 61 of 2015 on the Collection and Use of Palm Oil Plantation Funds, and relevant policies concerning biodiesel and sustainable palm oil certification. The collected data are then analyzed using a qualitative legal analysis method, which involves interpreting legal norms in the context of WTO dispute cases and assessing their implications for Indonesia's national interests and trade policy direction, particularly in relation to market access and international trade negotiations.

The analysis steps in this study are carried out through three stages. First, identify legal norms, namely inventory WTO rules and EU policies relevant to trade disputes. Second, legal interpretation, which is to interpret the norm by referring to WTO decisions to see whether EU policies are in accordance with or contrary to international obligations. Third, the analysis of the implications, namely assessing how the WTO decision has an impact on the negotiations and the future of the Indonesia-EU trade agreement. With this research method, it is hoped that a comprehensive picture can be obtained of the relationship between the WTO decision and the dynamics of the Indonesia-EU trade agreement. In addition, this research is also expected to be able to provide policy recommendations based on international law studies that are applicable to the Indonesian government.

3. Results And Discussion

3.1 Indonesia's Legal Position in the Trade Dispute with the European Union at the WTO

Trade relations between Indonesia and the European Union (EU) over the past two decades have experienced quite complex dynamics. The European Union is one of Indonesia's main trading partners, especially in the palm oil products, textiles, rubber, and fishery products sectors. However, differences in political, environmental, and economic interests often give birth to friction. One of the most prominent issues is related to the Renewable Energy Directive II (RED II) policy implemented by the European Union, which indirectly restricts Indonesia's palm oil exports to the European market on environmental sustainability grounds (Maharani 2019). Indonesia considers the policy to be discriminatory, contrary to the principles of free trade, and potentially violates WTO provisions. Therefore, Indonesia brought this case to the WTO through the Dispute Settlement Body (DSB) mechanism with case number DS 593: European Union — Certain Measures Concerning Palm Oil and Oil Palm Crop-Based Biofuels. In addition, other trade disputes also arise related to restrictions on Indonesian nickel exports which are considered by the European Union to violate WTO provisions regarding the freedom of trade in goods (Fitriani 2023). Indonesia argues that the policy is part of a strategy for downstreaming and natural resource management that is legal under international law.

The basic principle that is the basis of the dispute settlement mechanism in the WTO is the principle of *non-discrimination*, which is reflected in the provisions of *Most Favoured Nation* (MFN) and *National Treatment* (NT) as stipulated in the GATT 1994. The MFN Principle as set forth in Article I of the GATT 1994 affirms that any advantages, privileges or special treatment granted by a member state to another country must also be granted to all WTO members without exception. In other words, there should be no discrimination among member states in terms of international trade (Badu 2022). On the other hand, the NT principle in Article III of the GATT 1994 requires that imported products from member countries be treated no less favourably than similar products of domestic origin, thus creating conditions of fair competition. In addition to these two principles, the GATT 1994 also contains Article XI which prohibits quantitative restrictions on both imports and exports, with the aim of preventing protectionist practices that can be detrimental to the smooth functioning of free trade.

In the context of the trade dispute between Indonesia and the European Union, these three principles of WTO law are the main framework in assessing the position of each party. The European Union considers that Indonesia's policy of banning nickel ore exports since 2020 violates Article XI of the GATT 1994. The policy referred to is Indonesia's export ban on raw nickel ore, implemented effectively in January 2020 pursuant to Law Number 4 of 2009 as amended by Law Number 3 of 2020 on Mineral and Coal Mining, and further regulated by Minister of Energy and Mineral Resources Regulation Number 11 of 2019, which mandates domestic processing and refining of nickel prior to export. because it expressly closes market access and limits trade in goods quantitatively. From the point of view of WTO law, such an export ban is considered contrary to the spirit of trade liberalization which requires the free flow of goods and services without quantitative barriers. Meanwhile, Indonesia argues that the policy is part of a legitimate strategy for downstream and natural resource management for the benefit of national development, and therefore should be justified based on certain exceptions in the GATT 1994.

Meanwhile, in the case of palm oil, the legal position has been reversed (Suryadi, Oktaviana, and Nurhayati 2025). Indonesia considers that the European Union's policy through *the Renewable Energy Directive II (RED II)* is contrary to the principles of MFN and NT, because it treats palm oil discriminately compared to other vegetable oils such as rapeseed or sunflower oil, which are mostly produced by European member states. The policy referred to is Indonesia's export ban on raw nickel ore, implemented effectively in January 2020 pursuant to Law Number 4 of 2009 as amended by Law Number 3 of 2020 on Mineral and Coal Mining, and further regulated by Minister of Energy and Mineral Resources Regulation Number 11 of 2019, which mandates domestic processing and refining of nickel prior to export. The policy is considered to limit palm oil's access to the EU market and indirectly protect the interests of their domestic industry, thus violating the principle of equal treatment stipulated in the GATT 1994 (Kadek Apriliyani and I Dewa Ayu Devi Maharani Santika 2022) Thus, these two disputes show how the basic principles of the WTO have become an arena of attraction: on the one hand, it is used by the European Union to oppose Indonesia's export ban policy, while on the other hand it is used by Indonesia to challenge the discrimination carried out by the European Union against palm oil products.

Legal analysis of Indonesia's position in international trade disputes shows that there is a difference in the strength of the argument between the palm oil and nickel cases. In the palm oil dispute, Indonesia is in a relatively strong position because it can prove the existence of policy discrimination applied by the European Union to Indonesian palm oil products. This evidence corroborates Indonesia's claim that the EU's actions are not in accordance with the principle of non-discrimination within the WTO legal framework. In contrast, in the case of nickel, Indonesia's position is more difficult to maintain because the policy of banning nickel exports is contrary to WTO rules that prohibit trade barriers, except for certain very limited reasons (Duffy 2021).

From a political and economic perspective, Indonesia seeks to maintain this policy by using the argument of economic sovereignty (Connolly and Hanson 2016). The government emphasized that downstream policies and export restrictions are part of the national development strategy to increase added value and economic independence. However, this argument is often at odds with the WTO's free trade regime, creating a dilemma between domestic interests and international commitments. Thus, this issue does not only concern formal legal aspects, but also touches the realm of long-term economic development strategies.

This trade dispute also has significant political implications for Indonesia's diplomatic relations with the European Union, especially in the process of negotiating the Indonesia-European Union Comprehensive Economic Partnership Agreement (IEU-CEPA) (Manurung 2018). Indonesia's tough position in defending national interests on the one hand, has the potential to slow down the negotiation process with the EU on the other. This shows that trade disputes are not only legal in nuances, but also an instrument of politics and economic diplomacy. Indonesia must be able to balance maintaining economic sovereignty by building constructive trade relations with strategic partners such as the European Union.

Table 1. Chronology of the Indonesia-EU Dispute at the WTO

Year	Dispute	Indonesia's Position	Position of the European Union	Status WTO
2019	DS593 - RED II and Sawit	Assessing RED II as discriminatory, in violation of the GATT & TBT Agreement	Claiming RED II for energy and climate sustainability	Panel still ongoing
2019	DS592 - Nickel Export Ban	Indonesia has the right to limit natural resources exports for downstream	European Union: Violating Article XI of the GATT 1994	WTO panel: Indonesia loses (2022), appeal
2020-2023	Industrial Fertilizer & Raw Materials Dispute	Protection of domestic industry	EU objects to protectionism	Still in the consultation stage

Source: Research results 2025 (secondary data) processed by researchers.

The table above shows the dynamics of Indonesia's legal position in several trade disputes with the European Union at the WTO. In the DS593 case related to RED II and palm oil (2019), Indonesia considered that the EU policy was discriminatory because it only limited palm oil while other vegetable oils were protected, so it was considered to violate the principles of the *Most Favoured Nation (MFN)*, *National Treatment*, and *TBT Agreement*. On the contrary, the European Union argues that RED II is a policy based on environmental interests and energy sustainability. This dispute is still ongoing at the WTO panel level so there is no final decision yet. Meanwhile, in DS592 on the ban on nickel exports (2019), Indonesia argues that it has a sovereign right to manage natural resources for downstreaming, but the EU considers this policy to violate Article XI of the GATT 1994. The WTO panel finally decided that Indonesia lost in 2022, and Indonesia is currently appealing.

In addition, the 2020–2023 period also recorded new disputes related to steel and industrial raw materials, where Indonesia implemented protection policies to protect domestic industries from external pressures. The European Union considers the move a form of protectionism that is not in accordance with WTO rules. This case is still in the consultation stage, so the opportunity for resolution through diplomacy is still open. From the three cases, it can be seen that Indonesia's position is not always consistently strong, depending on the policy context and the legal basis. However, the pattern that emerged was the use of the WTO as an arena for the defense of strategic interests, both to maintain market access (palm oil) and to protect national industrialization policies (nickel and steel).

3.2. Implications of WTO Decision on Indonesia-EU Trade Agreement

Today's international trade relations are characterized by increasing regulatory complexity, economic interests, and dispute resolution mechanisms involving many global actors. One of the main forums in the settlement of trade disputes is the World Trade Organization (WTO). Indonesia as a member of the WTO has been involved in various cases, both as a plaintiff and a defendant, which often have a direct impact on the direction of its trade policy. In the context of relations with the European Union, a number of WTO rulings have significant implications, especially when bilateral agreements such as the Indonesia-European Union Comprehensive Economic Partnership Agreement (IEU-CEPA) are being negotiated. A study of these implications is important not only to understand the legal consequences, but also the broader economic, political, and diplomatic impacts. In the context of relations with the European Union, several WTO disputes illustrate these implications concretely. For example, in the **Indonesia–Biodiesel dispute (DS480)**, Indonesia successfully challenged the European Union's imposition of anti-dumping duties on Indonesian biodiesel, leading the EU to revise its trade remedies and restore market access for Indonesian products. Conversely, in the **Indonesia–Nickel Ore export ban dispute (DS592)**, Indonesia was found to have violated Article XI of the GATT 1994, a ruling that has influenced ongoing debates on Indonesia's mineral export restrictions and industrial downstreaming policy.

These WTO rulings are particularly significant in light of ongoing negotiations on the **Indonesia–European Union Comprehensive Economic Partnership Agreement (IEU-CEPA)**, as they affect the bargaining positions of both parties, shape regulatory trust, and influence the scope of commitments on market access, sustainability, and industrial policy. Therefore, examining the implications of WTO dispute outcomes is essential not only to assess their legal consequences, but also to understand their broader economic, political, and diplomatic impacts on Indonesia–EU trade relations.

The WTO decision is basically the result of the Dispute Settlement Body (DSB) mechanism that binds the parties. For Indonesia, compliance with this ruling is not only a formal obligation as a WTO member, but also closely related to international credibility. In certain cases, the European Union has sued Indonesia over trade policies that are considered to violate WTO principles. For example, policies prohibiting the export of mineral raw materials, prohibiting the import of certain products, or other non-tariff barriers that are considered detrimental to the EU's trade interests. WTO rulings concerning Indonesia often demand changes in domestic regulations. This has serious implications for Indonesia's position when negotiating a trade agreement with the European Union.

One of the most prominent examples is the dispute over the ban on the export of Indonesian nickel ore. The European Union is suing Indonesia's policy of banning the export of nickel ore abroad on the grounds that it violates the WTO's free trade principles. The WTO through its panel decided that the policy was contrary to Indonesia's obligations as a member. For Indonesia, this ruling poses a big dilemma: on the one hand, the government wants to strengthen downstream industrialization through a ban on the export of raw materials; on the other hand, there is an obligation to comply with WTO rules. The direct implication is that Indonesia's bargaining position in the IEU-CEPA negotiations becomes more complex. The EU can use the WTO ruling as a basis to pressure Indonesia to reopen access to its raw materials, while Indonesia seeks to maintain a national industrialization strategy.

In addition to the economic aspect, there are also considerable political implications. WTO rulings are often used as an instrument of diplomacy by the European Union. The European Union, which has been known for having high standards on issues of sustainable trade, the environment, and human rights, uses the WTO ruling as an argument for legitimacy. They emphasized that Indonesia's policies that are considered protectionist not only violate the WTO, but also contrary to the spirit of free trade that is wanted to be realized in bilateral agreements. On the other hand, Indonesia must be careful not to be considered a country that ignores international rules. This diplomatic balance is becoming increasingly important, considering that the European Union is one of Indonesia's largest trading partners.

Legally, the implications of the WTO ruling on bilateral trade agreements include aspects of regulatory harmonization. The WTO decision forces Indonesia to evaluate its domestic regulations so that they do not conflict with international provisions. In the IEU-CEPA negotiations, this means that Indonesia must adjust to the standards set by the WTO and the European Union. For example, on the issue of exports of mining materials, agricultural products, or sustainability certification, Indonesia cannot fully implement a unilateral policy. The WTO ruling is a binding legal reference in drafting new trade clauses. Thus, the IEU-CEPA agreement must ultimately reflect Indonesia's compliance with the WTO decision, while accommodating national development interests.

From an economic perspective, the implications of the WTO ruling can be seen through changes in trade flows between Indonesia and the European Union. If the WTO ruling requires Indonesia to relax export bans or remove certain barriers, then the EU will gain greater access to Indonesia's resources. This has the potential to increase trade volumes, but on the other hand it could weaken Indonesia's efforts to develop domestic industries. In other words, compliance with WTO decisions can have an impact on reduced protection for national strategic industries. For the European Union, this condition is advantageous because it obtains raw materials at a lower price. However, for Indonesia, there is a risk of deindustrialization if it is not balanced with effective industrialization policies.

Social and environmental implications are no less important. The EU often links trade to sustainability issues, such as deforestation, carbon emissions, and human rights violations in the supply chain. The WTO's ruling on the Indonesia-EU dispute can strengthen Europe's position in demanding higher sustainability standards. For example, in the palm oil dispute, the European Union restricted the import of palm-based biodiesel on environmental grounds. Indonesia sued this policy at the WTO. The WTO ruling, whatever the outcome, will affect the content of bilateral trade agreements. If the WTO sides with the European Union, then Indonesia must adjust its production standards in accordance with EU environmental regulations. On the other hand, if the WTO sides with Indonesia, then the country has a strong legal basis to fight environmentally-based trade discrimination.

In addition, the WTO decision also has strategic implications for Indonesia's bargaining position in the global arena. Compliance with the ruling shows that Indonesia respects the international legal order, thereby strengthening its reputation as a credible trading partner. However, being too compliant without considering the national interest can be detrimental to long-term development. In this case, Indonesia must be able to take advantage of the flexibility available in WTO rules, such as exemption clauses to protect strategic industries or environmental reasons. In this way, Indonesia can maintain its economic sovereignty while still being considered a compliant WTO member.

In terms of the IEU-CEPA negotiations, the implications of the WTO decision are not only limited to the substance of trade in goods, but also include services, investments, and intellectual property rights. The EU often uses WTO standards as a starting point to negotiate stricter rules in bilateral agreements. For example, stronger investment protection, liberalization of the service sector, and protection of pharmaceutical patents. For Indonesia, this means additional pressure to open up markets and reduce state intervention in the economy. The WTO ruling provides a legal basis that strengthens the EU's position in demanding broader liberalization.

Another equally important implication is domestic governance. The WTO decision encourages Indonesia to carry out regulatory reforms in the trade, mining, energy, and environmental sectors. These reforms are not only necessary to meet international obligations, but also to facilitate trade negotiations with the European Union. For example, the harmonization of technical standards, the removal of non-tariff barriers, or the simplification of export-import procedures. However, such reforms often provoke resistance from domestic groups that feel disadvantaged, such as small industrialists, farmers, or workers. Thus, the government must balance compliance with WTO decisions with the need for inclusive development in the country.

In the long term, the implications of the WTO ruling on the Indonesia-EU trade agreement are multi-dimensional. From a legal point of view, Indonesia must ensure that any bilateral agreement is in line with WTO obligations. From an economic point of view, there is a dilemma between opening market access and protecting the national industry. Politically, the WTO decision affects Indonesia's reputation and bargaining position in global diplomacy. From a socio-environmental perspective, the ruling strengthens the pressure for Indonesia to meet the sustainability standards set by the European Union. Therefore, the right strategy is needed so that Indonesia is not only a compliant party, but also a party that is able to take advantage of WTO rules for its national interests.

Overall, it can be concluded that the WTO ruling plays an important role in shaping the direction of Indonesia-EU trade relations. The ruling not only impacts specific disputes, but also influences the design of more comprehensive bilateral agreements. Indonesia needs to develop a smart trade diplomacy strategy, namely by combining compliance with international rules with the protection of national interests. In this way, Indonesia can minimize risks, while maximizing the benefits of trade relations with the European Union within the framework of the WTO and IEU-CEPA.

Table 2. Table of Regulations Related to WTO, Indonesia, and the European Union

No	Regulations/Legal Instruments	Level/Origin	Main Substance	Relevance to Indonesia-EU Trade
1	General Agreement on Tariffs and Trade (GATT) 1994	WTO	The basic rules of international trade: the principle of <i>Most Favoured Nation</i> (MFN), <i>National Treatment</i> , the elimination of tariff and non-tariff barriers.	It became the general framework of trade disputes between Indonesia and the European Union.
2	Agreement on Technical Barriers to Trade (TBT)	WTO	Regulate technical standards, certifications, and procedures that must not be discriminatory.	Important for the case of EU environmental standard regulation of Indonesian products.
3	Agreement on the Application of Sanitary and Phytosanitary Measures (SPS)	WTO	Regulate the health provisions of food, animals, plants based on scientific evidence.	Relevant to the export of Indonesian agricultural & food products to the European Union.
4	Dispute Settlement Understanding (DSU)	WTO	Trade dispute settlement procedures between WTO members.	Legal basis for Indonesia-EU dispute settlement at the WTO.
5	European Union Renewable Energy Directive (RED II – Directive (EU) 2018/2001)	Uni Eropa	Renewable energy rules, including biofuel sustainability criteria.	It is the basis of the European Union's policy of restricting Indonesian palm oil imports.
6	EU Regulation No. 2019/2089 (Delegated Act RED II)	Uni Eropa	Classifying palm oil as <i>high risk Indirect Land Use Change (ILUC)</i> .	Limiting Indonesia's CPO (Crude Palm Oil) access to the European market.
7	Law No. 7 of 2014 concerning Trade	Indonesia	Regulate domestic & foreign trade governance, national product protection.	The legal basis of Indonesia's response to the European Union's protectionist policies.
8	Government Regulation No. 34 of 2021 concerning Trade	Indonesia	Regulate technical international trade, export-import, and anti-dumping policies.	Instruments to adjust Indonesia's export policy after the WTO decision.
9	Presidential Instruction No. 6 of 2019 concerning the National Action Plan for Sustainable Oil Palm Plantations	Indonesia	Regulate sustainable oil palm plantation practices to meet global standards.	Indonesia's instrument of diplomacy to fight discrimination in the European Union.
10	Comprehensive Economic Partnership Agreement (CEPA) Indonesia–EU (in consultation)	Bilateral (Indonesia–UE)	Free trade agreements that include tariffs, investments, sustainability.	The arena for the implementation of WTO decisions in bilateral trade relations.

Source: Research Results 2025 (Secondary Data) Processed By Researchers.

Regulations related to the implications of the WTO decision on the Indonesia-EU trade agreement basically reflect the relationship between international law, national law, and bilateral commitments. The WTO ruling serves as a normative reference that binds both parties to adjust trade rules so as not to violate the principles of non-discrimination, transparency, and fairness in global trade. For Indonesia, this has implications for the harmonization of national regulations, such as the Trade Law, the Job Creation Law, as well as technical regulations in the fields of environment, health, and quality standards for export goods. Meanwhile, the European Union is prioritizing legal instruments such as *the European Green Deal* and *the Carbon Border Adjustment Mechanism (CBAM) policy*, which requires Indonesia to adjust export standards, especially in the palm oil, steel, and agricultural products sectors. Thus, the regulations of the two parties must synergize with each other so that there are no normative conflicts that have the potential to give rise to new disputes in the WTO forum.

4. Conclusion

The WTO's ruling on the dispute between Indonesia and the European Union shows how closely the international trade regime is linked to national economic interests. Disputes that were initially triggered by Indonesian policies, such as banning the export of mineral raw materials or intervening in the trading system of certain products, show that there is a tug-of-war between the state's efforts to maintain natural resource sovereignty and international obligations that have been agreed in the WTO framework. On the other hand, the EU's move to sue Indonesia's policy also reflects the great economic interest to ensure market access and the sustainability of their industrial supply chains. In this context, the WTO ruling is not only an affirmation of the rules of the global trade game, but also has direct implications for Indonesia's bargaining position in trade agreements with the European Union. Normatively, the WTO decision affirms the importance of Indonesia's consistency with multilateral commitments, especially related to the *General Agreement on Tariffs and Trade (GATT)* and the rules prohibiting *quantitative restrictions*. Non-compliance with WTO rules has the potential to present the risk of retaliation or trade retaliation from the European Union, which can have an impact on the stability of Indonesia's exports to the region. This is a big challenge for Indonesia, considering that the European Union is one of the main trading partners that absorbs palm oil products, rubber, textiles, and other manufactured products. Thus, this WTO decision reminds Indonesia that protective policies that are not prepared according to the framework of international law can actually cause long-term losses.

However, the implications of the WTO ruling are not entirely detrimental to Indonesia. On the contrary, this momentum can be used as a reflection to strengthen trade diplomacy and clarify the negotiation strategy in the Indonesia-EU agreement, especially in the *Comprehensive Economic Partnership Agreement (CEPA)* which is still in process. By understanding the limitations provided by the WTO, Indonesia can develop a more realistic compromise strategy, for example through the application of *safeguard* instruments, environmental policies, or *sustainable trade* mechanisms recognized by international law. This will allow Indonesia to maintain sovereignty over natural resource management while avoiding violations of WTO rules. Finally, it can be emphasized that the WTO ruling should not be seen solely as an obstacle, but rather as a driver for Indonesia to build a more adaptive, legalistic, and competitive trade governance. The main implication for the Indonesia-EU trade agreement is the need for caution in drafting clauses that balance national interests, international commitments, and sustainability principles. With such an approach, Indonesia can reduce the risk of future disputes while increasing the legitimacy of its bargaining position in the global trade arena.

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