
Commodities and Global Climate Governance: Early Evidence From the EU Deforestation-free Regulation (EUDR)

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ABSTRACT Increasing urgency to address climate change has heightened efforts by the world's highest-emitting countries to implement a suite of policies targeted at relieving pressures on the world's forests. Prominent among these are initiatives regulating commodity supply chains most responsible for climate change. This paper addresses the most ambitious of such initiatives to date, the European Union Deforestation-free Regulation (EUDR), which was formally adopted by the European Parliament on June 30, 2023. Drafters of EUDR suggest it can reduce annual emissions by 32 million tons of carbon, but calculations and achievement of these reductions are contingent on various factors. We provide a policy implementers view of EUDR's key issues and draw on experience from past regulations to highlight fundamental challenges and concerns. While much of current policy analysis focuses on geopolitics and bilateral trade tensions, EUDR's supporting infrastructure is getting underway and largely overlooked. The extent of its success rests on four key issues: 1) credible and equitable mechanisms in producer countries to ensure traceability of deforestation-free products, 2) more equitable trade terms, 3) internal EU cohesion, and 4) overcoming risks to the most vulnerable producers. How these issues unfold will also structure other ambitious emerging policies, such as the US FOREST Act and the UK Environment Act.

Keywords: EUDR; deforestation; climate change

Introduction

The 2023 Intergovernmental Panel on Climate Change's Sixth Assessment Report [AR6] presented alarming figures on climate change impacts to nature and society, reinforcing the urgency to keep warming below 1.5 degrees Celsius by 2030.¹ The AR6 specifically notes the limits of current policy approaches, especially attempts at curbing greenhouse gas (GHG) emissions from deforestation and forest degradation. Major emitting countries such as the United States (US), the United Kingdom (UK), and the European Union (EU) primarily aim to relieve pressures on forests by regulating international commodity markets. Policy instruments regulating trade and consumer goods include the US Lacey Act, the EU Timber Regulation (EUTR), UK Environment Act of 2021, Germany Supply Chain Act of 2021, Norway Transparency Act on Social Sustainability 2021, the proposed US FOREST Act,² and other country or region-specific regulatory mandates. Sector-specific initiatives also include flagship policies for commodity certification such as the Roundtable on Sustainable Palm Oil (RSPO), voluntary partnership agreements (VPAs), and market-based solutions targeted at carbon like Reducing Emissions from Deforestation and forest Degradation (REDD+). These policies and instruments also adopt safeguards and rights-based approaches, such as Free Prior and Informed Consent (FPIC), changing the overall approaches of trade policy and environmental solutions. Reports such as the AR6, however, are renewing calls for the biggest emitters to implement more effective policy frameworks.

This *Asia Pacific Issues* paper examines forest policy-related developments between major consumers, intermediaries, and producer countries in the context of global climate mitigation initiatives. Specifically, we examine how the most recent and most ambitious of these policies--the newly passed EU Deforestation-Free Regulation (EUDR)—is formalized, debated, and implemented. We do this by providing overall policy context and examining trade relations between the EU, Southeast Asia and Latin America, and focus on Indonesia as one of the most significant

and precedent-setting sites for deforestation-free discourse and policy application.

Context for the EU Deforestation-Free Regulation

Trade in agricultural commodities is closely linked to deforestation. The United Nations' Food and Agriculture Organization (FAO) estimates that 90 percent percent of global forest loss over the last three decades has been due to the expansion of agricultural commodities,³ including soybeans, oil palm, beef, timber, and others.⁴ The EU points out that between 1990 and 2022, 420 million hectares of forest was lost worldwide.⁵ The continuing loss of forest cover is linked to climate change, contributing up to 11 percent of global CO2 emissions. Currently, the EU is one of the largest importers of deforestation-linked commodities. In addition, deforestation dynamics not only causes significant biodiversity loss, it is also linked to the forceful removal and relocation of communities that have longstanding relationships to their lands.

The EU's primary motivations for EUDR center around global deforestation rates, particularly the way forest loss drives climate change, as well as the EU's contribution to both.^{6,7} In total, the EU imports €85 billion in commodities and products that fall under the broad umbrella of EUDR.⁸ The EU suggests that the new policy could account for reductions of 32 million tons of carbon per year if successful in reshaping import relations.⁹

The EUDR is a demand-side policy that supplants earlier EU development cooperation in support of improved forest governance in the Global South, especially policy instruments such as the Forest Law Enforcement, Governance and Trade (FLEGT) Regulation and VPAs.¹⁰ Impacts have already been significant in reshaping global commodity markets.

How Will EUDR Work?

The EU describes EUDR as a regulation developed in response to the growing demand by EU member states, consumers, and civil society orga-

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nizations (CSOs) to clean up the import of agricultural commodities. The EU will not place a blanket ban on any of the commodities covered by the new regulation. Rather, it plans to exclude imports that cause deforestation in producer countries. It seeks to accomplish these ends by:

1. Introducing a cutoff date of Dec. 31, 2020, which means that products produced on land deforested or degraded after this date would not be allowed to enter the EU. This is intended to make EUDR forward looking and not tangled in debates over historical forest cover changes;
2. Implementing a “science-based approach” rooted in the FAO definition of forests;
3. Applying EUDR universally, meaning stipulations hold equally for EU and non-EU producers.¹¹

The EU’s goals are straightforward, but day-to-day implementation poses significant challenges that will be closely scrutinized. EUDR’s fundamental challenge is the establishment and enforcement of due diligence provisions. All companies importing EUDR-implicated commodities located in the EU will need to provide evidence of due diligence and file statements with CAs (competent authorities; e.g. customs) for every shipment that arrives. The due diligence statement will need to provide assurances of: 1) legality; 2) that the product is deforestation-free; and 3) that the product is fully traceable. For this third element, the importer will need to include geo-location of the sourcing and harvesting of raw materials, as well as the corresponding time periods. Exporters in the countries of origin will provide the bulk of information for due diligence statements. CAs will evaluate due diligence statements filed by importers in the EU be based on a risk-based approach.

The risk-based approach is linked to the concept of country benchmarking. While implementation details are still being worked out, the EU envisions ranking all producer countries either as low, standard, or high risk depending on levels of deforestation, expansion rate of agricultural commodities, and other governance indicators. Once the transition period expires and EUDR

takes full effect on Dec. 31, 2024, all producer countries will start with the standard risk designation. Depending on subsequent review of relevant criteria and indicators, the risk designation may be adjusted and must be done in consultation with the target country or countries. The country risk level, or benchmark, then determines the level of due diligence required and the intensity of checks by EU authorities. Only products covered by due diligence indicating no more than negligible risks are allowed on the EU market.¹²

The EU embraces the centrality of the due diligence process and verification procedures and currently does not envisage simplifications or proxies. Questions are often raised about the possible role of globally recognized certification schemes such as the Forest Stewardship Council (FSC), Program for the Enforcement of Forest Certification (PEFC), and RSPO to document legality and zero deforestation. EUDR allows for third-party certification schemes to be used as sources of information for due diligence, but they cannot replace the due diligence process itself.

At the level of producer/exporter country, EUDR largely impacts countries undertaking efforts to control deforestation and make their supply chains fully traceable, which will thereafter maintain access to the EU market. However, countries unable or unwilling to implement these changes will see access to the EU market curtailed. Proponents of EUDR also see EU market access as an important tool to remove distortions in global commodity trade caused by the presence of illegally-produced or deforestation-related commodities. This will benefit those actors who are willing and able to implement the necessary systemic changes in their business operations.

Key Concerns

Research on past regulatory frameworks, especially the EUTR, proves instructive for understanding key concerns and potential stumbling blocks for EUDR. The *first* concern is the relative impacts of trade policies in a complex global system. There is a risk that overly restrictive policies could redi-

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rect noncompliant countries and commodities to other buyers in low risk jurisdiction countries (e.g. from growing demand in India and China). In such a scenario a boutique market emerges for wealthier economies and better resourced companies compliant to higher standards without necessarily impacting deforestation supply chains. For example, non-compliant and "dirtier" commodities could pivot to countries with lower traceability and compliance standards, simply broadening the market for that commodity.¹³ EUDR implementation could thus lead to disruptions in global commodity markets, especially for countries heavily reliant on deforestation-risk commodities.

In the past, the EU has also overlooked dynamics taking place in third-party intermediary manufacturing and processing countries. The duality of "clean" and "dirty" supply chains will require additional (bilateral) efforts in key trans-shipment economies (especially from China and India). If some of the "dirty" commodities enter these markets and are re-exported to the EU, they are supposed to face scrutiny under EUDR. The new policy anticipates these supply chains will likely be squeezed out. However, at least a part of them will likely continue to feed domestic/local consumption, and therefore will continue to impinge on forests.

Slight tweak on a regulation as consequential as EUDR can have global ramifications. For example, a strict traceability requirement may reshape markets for importers in cost-prohibitive ways or place undue burden on states without the capacity to implement or conduct oversight requirements. Furthermore, if one commodity in a producer country continues to cause deforestation, the country will obtain a high risk ranking, unfairly disrupting trade in a range of other commodities in the same country that have nothing to do with deforestation.

A good example is oil palm in Indonesia which produced 58% of global palm oil supply in 2021. Around half of oil palm plantation areas do not meet legality requirements and intensify pressures on forests.¹⁴ It is likely that palm oil from Indonesia will be considered high risk under EUDR and this could result in Indonesia's high risk benchmarking. This in turn would negatively influence Indonesian

coffee and cocoa growers, which are generally not considered drivers of deforestation.

Overall, these trade dynamics are profoundly geopolitical. At the level of international diplomacy, producer countries outwardly resist EUDR's terms.¹⁵ For example, in diplomatic and policy discussions, Brazil, Malaysia, and Indonesia consider EUDR an overreach into their sovereign rights, an overreaction on climate change issues, or a thinly disguised postcolonial trade barrier. Nevertheless, at the practical or technical level, sectoral ministries are preparing for the realities of EUDR. These more technical agencies therefore more pragmatically seek to avoid disrupting existing lucrative global trade networks by establishing steps to ensure continuity of commodity production, trade, and its associated livelihoods benefits.¹⁶

A *second* concern is the capacity of EU institutions to implement and consistently enforce EUDR. Key challenges are in the details, namely cost and compliance with strict traceability, level of checks, degree of oversight, and agreements over what constitutes fair practices. An internal review of past EUTR implementation shows that less than 1 percent of imported shipments were ever checked by CAs, and the checks carried out only examined whether or not importers had due diligence systems in place.¹⁷ These do not constitute adequate checks on meeting conditions of legality or compliance on tax regulations and labor conditions, among other key considerations in the country of origin.¹⁸ EUDR, however, will ramp up CA checks by several levels of magnitude. This raises questions about the feasibility of achieving anticipated levels of checks, and the extent to which they can be sustained over time.

A *third* concern involves the complex safeguards that range from anti-corruption to social and environmental justice. CSOs rightfully worry about implications for smallholders, Indigenous People and Local Communities, and small and medium enterprises (SMEs), alongside the broader goals of biodiversity conservation and reducing pressures on forests.¹⁹ The new regulation includes stipulations that may exclude smallholders from trade due to difficulties in meeting legality and deforestation-free requirements. It may also pull smallholders into

more dependent and precarious conditions, forcing them to accept poor terms and integrate into vertical commodity chains. Many have expressed concern for smallholders without the means or capacity to fulfill requirements, potentially further marginalizing the most vulnerable.²⁰ More broadly, EUDR has been critiqued for its overwhelming focus on demand-side dynamics in the EU and its resultant pressure on commodity supply chains in the Global South without addressing the underlying overconsumption and growth mindsets.²¹

Early EUDR Evidence from Indonesia

At the operational level, questions are emerging about the preparedness or capacity of actors in affected sectors in producer countries to comply with EUDR requirements. Indonesia provides early indications of where things are headed.²² One of the emergent issues revolves around disparities in readiness between commodities and types of business operations.²³ Indonesia's timber sector is considered among the best prepared in terms of legality assurance and product traceability. This is due to the national timber legality and sustainability assurance system (SVLK), which began in 2009 and has since continued to improve. The timber sector also benefited extensively from the signed VPA between the EU and Indonesia in 2013, which led to the initiation of the FLEGT licensing in November 2016. Indonesia is taking steps to ensure the SVLK system can meet new market legality requirements, including strict traceability to the plot of land of the timber harvest and compliance with deforestation-free assurances. A dedicated SVLK working group has been established at the Ministry of Environment and Forestry (MOEF) to ensure that all requirements are fully met in 2024.

However, preparedness for other commodity sectors in Indonesia is limited. Capacity gaps are more pronounced in other countries with less experience in forestry or agriculture commodity trade. The oil palm sector, for example, is making significant strides, as exemplified by the new revision²⁴ of Indonesia's Presidential Regulation on the national certification scheme, which supports efforts to

accelerate smallholder mapping, land titling, and development under the Ministry of Agriculture's online portal for oil palm traceability.²⁵ Major challenges remain, however, with legality and traceability issues across the vast and diverse smallholder sector.

Three other key commodity sectors in Indonesia—coffee, cocoa, and rubber—are 90 percent dominated by landholdings owned and managed by smallholders. In terms of compliance, these commodities lag far behind timber and oil palm.²⁶ Even though these commodities have been exposed to voluntary certification schemes, traceability or legality identification systems are very limited, and will therefore face fundamental reporting challenges. Other countries in Southeast Asia are even less prepared to accommodate policy changes. For instance, Lao PDR has an emerging traceability system for timber but virtually no such systems for coffee, cocoa and rubber. These commodities are exported to Vietnam, from where they are re-exported to the EU.

Key disparities exist across different types of business operators (large companies alongside SMEs). In the timber sector, large- and medium-sized companies operating plywood mills, pulp and paper mills, and major producers of furniture are relatively well placed to meet EUDR requirements on due diligence, legality, and traceability. However, a large number of furniture workshops and farmers growing trees on small plots of land in rural areas will face challenges.²⁷ The disparity between operational capacities is further amplified in the oil palm sector where large conglomerates such as Sinar Mas, Astra Agro, Wilmar, London Sumatra Plantation, Sime Darby, have systems in place to meet EUDR requirements, while millions of SME and family-based oil palm businesses that contribute 45 percent of the palm oil production annually in Indonesia are effectively undocumented in terms of legality and traceability.²⁸ The operational disparities, legality issues, and traceability challenges in the coffee, cocoa, and rubber sectors are progressively worse because all these sectors are dominated by smallholder operations.

As a result of sectoral and operational differences, a number of possible scenarios may play out as a result of EUDR implementation. There is a

real possibility that better-prepared sectors (e.g., timber) will lead the way in trade, or even expand if competitor countries take longer to make necessary adjustments. At the same time, other commodities in Indonesia may struggle, at least temporarily, as risk-averse importers in the EU opt for source/producer countries that can deliver on legality and traceability information for the due diligence.

It is also possible that the division between large/medium-size exporters and “everyone else” will become more pronounced, as the former have a head start on meeting EUDR requirements and can capitalize on it. This could potentially leave behind millions of SMEs, small-holders, and household micro-enterprises that are key for rural livelihoods in Indonesia.²⁹ If the under-performing or under-prepared segments of key commodity sectors fall too far behind, it is also possible that this division will become entrenched and lead to more pronounced disparities between “large and clean” companies exporting to eco-sensitive markets (i.e., EU) and “smaller and dirty” exporters settling on exports to less regulated markets (e.g., China, India, and countries in the Middle East).

Trade Geopolitics from ASEAN to Latin America and Growing EU Discontent

In March 2023, Indonesia’s President Joko Widodo “Jokowi” criticized EUDR as discriminatory to Indonesia’s main commodities. Citing the policy as a form of thinly veiled protectionism, the Jokowi administration planned to sue the EU through the World Trade Organization, but backed off from the plan in June 2023 as the government and palm oil industry leaders negotiated with the EU.³⁰ Three months later, during the G20 summit in New Delhi, Jokowi urged the Dutch Prime Minister to avoid creating trade barriers and to support the development of low-carbon technologies in return for the Netherlands becoming an ASEAN development partner.³¹ This could be significant given Indonesia’s main exports to the Netherlands include palm oil and its derivatives.

In September 2023, the diplomatic opposition to EUDR continued with the formation of the so-called group of 17 like-minded countries who sent a formal letter of protest to the European Commission, building on earlier communications.³² The letter expressed concerns over EUDR entering into force in June 2023, without regard to national-level circumstances, legislation, or capacities. The signatories emphasized the need for dialogue with the EU in order to acknowledge national efforts, mitigate EUDR’s potentially harmful impacts, and avoid trade disruptions.³³ South American countries echo this sentiment. In August 2023, leaders of the Amazon Nations signed a joint declaration condemning what they called the ‘proliferation’ of trade barriers under the pretext of environmental regulations.³⁴ Brazil’s agriculture minister called the EUDR an ‘affront’ to trading rules, criticizing Europe for failing to recognize Brazil’s efforts to protect its forests. A major supplier of soy and beef products, Brazil threatens to boost trade relations with alternative partners in the BRICS bloc of large developing nations such as India, China, Russia, and South Africa if EUDR policy is not reversed.

As the implementation date of EUDR gets closer, there is increasing dissent within the EU itself. The internal opposition to EUDR might have been in place from the outset, but critics were reluctant to be vocal for fear of being seen as politically incorrect. This has changed radically with the wind of EU parliamentary elections scheduled for June 2024. The pushback against EUDR began rolling in early March 2024 with the shelving of the EU Nature Restoration Law after eight EU member states withdrew their support.³⁵ This was followed by agriculture ministers from Finland, Italy, Poland, Slovakia, Slovenia, and Sweden proposing simplifications to EUDR and exemptions for EU farmers.³⁶

The trajectory of EUDR implementation is in flux. It hinges both on political backing from source-export countries as well as internal EU cohesion and ability to maintain consensus. Lack of support from producer nations increases turmoil in the EU and raises questions about the efficacy of the policy and its ability to achieve intended objectives.

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High-level Tensions; Working-level Collaborations and Challenges

While high-level political rhetoric continues to push back against EUDR, there is growing national-level recognition among producer countries that EUDR cannot be reversed, and at least in the near term, will remain unchanged. Meanwhile, producer countries calculate the risks of being unprepared, particularly at the threat of a producer country getting benchmarked as high risk. For example, a joint study by Indonesia's Ministry of Foreign Affairs (MOFA) and Gadjah Mada University revealed potential annual national losses of \$335 million in the palm oil sector, \$33 million in the forestry sector, and \$85.7 million in the rubber sector a high-risk designation.³⁷ The prospect of potentially significant losses has led producer countries to adopt a dual strategy whereby they continue to pressure the EU for easements and compromises at a diplomatic level, while engaging the EU on EUDR practicalities, taking steps to prepare affected sectors. Working-level practices are emerging with significant implications for future policy and trade relationships.

This dual approach is well illustrated by developments in Southeast Asia. While Indonesia's president Jokowi and MOFA express vocal opposition to EUDR, in August 2023, Indonesia, Malaysia, and the EU established the Joint Task Force (JTF) on EUDR.³⁸ The first JTF forum outlined thematic areas for EUDR readiness, including legality, traceability, smallholders, and information sharing. The JTF meeting signaled a pragmatic approach to prepare technical competencies. As a result, the Indonesian Coordinating Ministry for Economic Affairs is designing and developing a Traceability Data Clearing House in Indonesia. Meanwhile, Indonesia's MOEF established a working group on SVLK traceability and on deforestation-free designation.

Meanwhile, the ticking timeline on compliance means the private sector is undergoing preparations. Large timber and oil palm conglomerates are developing their own tracking systems. They do this by adopting available recognized standards such as RSPO and employing off-the-shelf

tools from certification agencies (e.g., Preferred by Nature), or by developing their own tools to track supply chains.³⁹ Timber legality/sustainability auditing firms conduct sharing sessions with clients about EUDR. Indonesia's MOEF participates in workshops and stakeholder meetings to share its EUDR preparations.⁴⁰

Despite proactive support at a working level, serious concerns remain at an operational level. *First*, forestry associations often consider EUDR discriminatory as it only partially accepts Indonesia's achievements under the VPA. Indeed, FLEGT licenses will continue to be accepted in the EU but only as proof of legality. Country producers will still need to provide additional information on strict traceability and deforestation-free aspects of exported products. Thus, Indonesia's timber products will travel to the EU with FLEGT licenses that automatically meet EUDR legality requirements, but exporters in Indonesia will have to add geo-coordinates (and timeline) of timber harvest location to enable verification.

Second, CSOs are concerned about the complexity of incorporating smallholders into compliance, its associated traceability problems, and potential unintended consequences. Even the existing sustainability supply chain schemes translate to extremely low levels of smallholder inclusion. Safeguard concerns revolve around the lack of information about future development cooperation between, for example, Indonesia and the EU, and sparse financial support for CSOs to conduct independent monitoring and verification.

Third, most implementing agencies in government and CSOs worry about the information available about EUDR. Indonesia, for example, expects the publication of "EUDR implementation guidelines" so that producer countries can use it as the operational compass for policy making and implementation.⁴¹

Fourth, limited communication and lack of negotiations pose a major concern for all working-level stakeholders. There is a sense that EUDR has been imposed externally, without much warning or choice, and informed by limited guidance, raising concerns of shifting goalposts.

Concluding Thoughts: From EUDR to Other Deforestation Commodity Regulations

In this review, we focused on emerging policies for curbing deforestation. The EUDR is the latest and most far-reaching, ushering in significant changes and establishing new precedence. Its impact has garnered much interest in the extent to which such a policy can make meaningful strides at achieving climate policy targets. It not only forms the backbone of Europe's Green New Deal, but also underpins the EU's global climate commitments negotiated at the UN Framework Convention on Climate Change. The emergence of EUDR indicates a transition in the EU from a consultative and bilateral approach, which was the hallmark of negotiating the VPA agreements with producer countries, to a more unilateral stance, even if some measure of engagement is being retained via Forest Partnerships.⁴² The advance of EUDR also signals a broader trend in major international markets. In December 2023, a US Congressional bill entitled the FOREST Act proposes to mirror many of the approaches laid out in EUDR, albeit limited to the elimination of illegal deforestation.⁴³ In 2021, the UK, another major economy, introduced the Environment Act, which is similar to the US FOREST Act, but now the UK government faces public calls to strengthen it further.⁴⁴ How far these new regulations will go and what implications they will have for regional and global trade will be among key issues to watch.

While we focused on EUDR commodity markets and trade relations, we must reiterate that these are supply-side dimensions viewed through demand-side frameworks. Such a policy framework remains business-as-usual predicated under a growth mindset driven by capitalist relations. Nevertheless, there are significant opportunities and dilemmas that we can glean from EUDR. Implications are far-reaching and could establish

new traceability regimes, and thus reshape not only trade relations around the world, but also landscapes and livelihoods.

Going forward, there are four sets of emergent themes that will remain of great interest to policy-makers and observers alike. The *first* concerns the overall ability to close information gaps and assist producer countries to meet new market requirements. Without meaningful assistance and practical solutions for all levels of producers, EUDR will maintain a top-down approach, whereby a buyer dictates terms to a much more vulnerable producer. In other words, how can ambitious new stipulations not only be more effectively enforced and monitored, but also supported and triangulated?

A *second* issue relates to the giant leap in technical and operational capacities required of EU regulators to implement EUDR and ensure credible verification of compliance. Whether this will be a gradual and iterative buildup or an all-out deployment of tools and manpower remains to best seen.

The *third* issue is the extent to which such a policy can close the gaps, avoid leakage, and help reduce greenhouse gas emissions at the scale needed to meet global targets for climate change mitigation. Alongside details around compliance, issues on state-to-state relations, intermediary countries, and impacts to non-deforestation commodities, the broader question of whether the outsized influence of the EUDR will reshape global markets or just open new markets for dirty buyers remains fundamental.

Finally, the extent to which global trade policies framed as environmental and climate solutions can implement policies in practical and equitable ways without marginalizing the most vulnerable communities requires greater attention and commitment. More nuance is needed to address dynamics happening among smallholders, with attention to the implications for land rights and exclusion among IPLCs.

Endnotes

¹ The Sixth Assessment Report (AR6) is a produced by the Intergovernmental Panel on Climate Change (IPCC) to assess climate change risks under a rubric of exposure and vulnerability on human and ecological systems.

² S.3371 - A bill to combat illegal deforestation by prohibiting the importation of products made wholly or in part of certain commodities produced on land undergoing illegal deforestation, and for other purposes.

³ While EUDR has expanded significantly beyond the EUTR's singular focus on timber, some rapidly expanding commodities like cashews have not been included. This article suggests options to add new commodities to the legislation: Powell et al. 2023. "EU deforestation law overlooks emerging crops," *Science* 297 (6630) 340-341, [science.org/doi/10.1126/science.adf9994](https://doi.org/10.1126/science.adf9994), last accessed on January 18, 2024.

⁴ Commodities selected: palm oil, soy, wood, cattle, cocoa, coffee, rubber, and some derived products. European Commission. 2023. "Regulation on deforestation- and forest degradation free supply chains". KAOEM TELAPAK Stakeholders Dialogue on EU Deforestation Regulation, Jakarta, November 8.

⁵ DeValue, K., Takahashi, N., Woolnough, T, Merle, C., Fortuna S., and Agostini, A. 2022. "Halting deforestation from agricultural value chains: the role of governments." Rome, FAO. Available at <https://www.fao.org/documents/card/fr?details=cc2262en> percent2F.

⁶ Faergemann, Henriette. 2023. Moving beyond timber legality: the EU deforestation regulation and its provisions on timber. Presentation, the 9th Timber Legality Assurance (TLA) workshop, Luang Prabang, Lao PDR 6 December; Li, Bo, Tina Schneider, Fred Stolle, and Stientje van Veldhoven. 2022. "How a New EU Regulation Can Reduce Deforestation Globally." World Resources Institute. <https://www.wri.org/insights/eu-deforestation-regulation>.

⁷ See the Frequently Asked Question of EUDR on EU commission website: Implementation of the EU Deforestation Regulation. European Commission. https://green-business.ec.europa.eu/implementation-eu-deforestation-regulation_en

⁸ Explanatory Note: EU Regulation on Deforestation and Forest Degradation. March 2023

⁹ See the Frequently Asked Question of EUDR on EU commission website: Implementation of the EU Deforestation Regulation. European Commission. https://green-business.ec.europa.eu/implementation-eu-deforestation-regulation_en

¹⁰ The EUDR serves as an update and upgrade to the 2010 EU Timber Regulation (EUTR) and expands to regulate a broader set of commodities. It aims to address past shortcomings on noncompliance and loopholes in EUTR. The EU Parliament passed EUDR in December 2022, which then went into effect in June 2023, requiring businesses and commodity markets to comply within a timeline of 18–24 months. This grace period means that EUDR will become fully effective end of December 2024 for large/medium importing companies and June 2025 for SME (small/medium enterprise) importers.

¹¹ Environmental groups have come out widely in support of the implications of EUDR on deforestation. See: Environmental Justice Foundation. (2023, March 20). New EU Deforestation Regulation Is a Win for Forest Protection. <https://ejfoundation.org/news-media/new-eu-deforestation-regulation-is-a-win-for-forest-protection>.

¹² For instance, if a producer country is low risk, the importer will be eligible for simplified due diligence. Such a rating requires only 1 percent of shipments arriving in the EU to be checked annually by CAs. At the standard risk level, importers will need to conduct full due diligence and 3 percent of all shipments originating from these countries will be checked annually. If a producer country is high risk, full due diligence applies and 9 percent of all shipments arriving in the EU will be checked. As due diligence filings are legally binding, the EU anticipates greater credibility of the process.

¹³ "EU Deforestation Regulation: Implications for the Palm Oil Industry and Its Financers" Aid Environment, July 11, 2022. <https://aidenvironment.org/publications/eu-deforestation-palm-oil>.

¹⁴ For commentary on the extent of illegality in oil palm estates see: Greenpeace. 2021. Deceased Estate: Illegal palm oil wiping out Indonesia's national forest. <https://www.greenpeace.org/southeastasia/publication/44744/deceased-estate-illegal-palm-oil-wiping-out-indonesias-national-forest/>, last accessed January 18, 2024.

¹⁵ S&P Global. (2023, March 21). Global Impact of the EU's Anti-Deforestation Law. <https://www.spglobal.com/esg/insights/featured/special-editorial/global-impact-of-the-eu-s-anti-deforestation-law>

¹⁶ Statement made by Travel Advisory Group during the International Tropical Timber Organization, November 13-17, 2023 in Pattaya, Thailand. See the full statement here: https://www.itto.int/direct/topics/topics_pdf_download/topics_id=7665&no=8&disp=inline.

¹⁷ European Commission. EU Timber Regulation. https://environment.ec.europa.eu/topics/forests/deforestation/illegal-logging/eu-timber-regulation_en.

¹⁸ EU Commission. 2021. Executive summary of the Fitness Check of the EU Timber Regulation. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021SC0329>.

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²⁰ FERN. 2023. EU Deforestation Regulation implementation must work for small-scale farmers. *Fern.org*. <https://www.fern.org/publications-insight/eu-deforestation-regulation-implementation-must-work-for-small-scale-farmers>, last accessed January 18, 2023.

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²² “Indonesian Palm Oil Sustainability to Address the EU Deforestation-Free Regulation and FOLU Net Sink 2030,” CIFOR-ICRAF,” April 13, 2023. <https://www.cifor-icraf.org/event/indonesian-palm-oil-sustainability-to-address-the-eu-deforestation-free-regulation-and-folu-net-sink-2030>.

²³ Akbar, Abil Achmad and Sri Palupi. 2022. “The EU’s New Deforestation Regulation Faces Significant Challenges in Indonesia.” *Fern*, <https://www.fern.org/publications-insight/the-eus-new-deforestation-regulation-faces-significant-challenges-in-indonesia>.

²⁴ Indonesian President Jokowi agrees to changes to Presidential Regulation with three considerations. Translated from the Indonesian palm oil magazine. <https://sawitindonesia.com/presiden-jokowi-setujui-perubahan-perpres-ispo-ini-tiga-pertimbangannya>.

²⁵ Indonesia’s national certification scheme or Indonesia Sustainable Palm Oil (ISPO) provides national guidelines. More information on the importance of working with national systems is accessible here: Chiew Wei, P., Esselink, E., & Leegwater, M. (2023, April 12). The EU Deforestation Regulation: The challenge and importance of inclusive implementation in palm oil. *Euractiv.com*. <https://www.euractiv.com/section/energy-environment/opinion/the-eu-deforestation-regulation-the-challenge-and-importance-of-inclusive-implementation-in-palm-oil>.

²⁶ Ministry of Agriculture. 2023. Impact of EUDR on agriculture commodities in Indonesia. Kaodem Telapak Semiloka, Hotel Santika, Jakarta, 5 November.

²⁷ Palm oil smallholders account for about 41 percent of total oil palm planted areas in Indonesia and about 35-40 percent of the global production of palm oil. Small-scale farmers grow palm oil as their primary source of income, often using family labor to cultivate the land. See more: Council of Palm Oil Producing Countries. 2023. Briefing Paper: Implications of the EU Deforestation Regulation (EUDR) for oil palm smallholders. <https://cpopc.org/pressroom/read/implications-of-the-EU-deforestation-regulation-EUDR-for-oil-palm-smallholders>.

²⁸ Martinam, Puah Chiew Wei, Eddy Esselink, and Marieke Leegwater. “The EU Deforestation Regulation: The Challenge and Importance of Inclusive Implementation in Palm Oil.” *www.euractiv.com*, April 12, 2023. <https://www.euractiv.com/section/energy-environment/opinion/the-eu-deforestation-regulation-the-challenge-and-importance-of-inclusive-implementation-in-palm-oil/>

It is also likely that the larger operators could begin to exclude a portion of smallholders from their supply base.

²⁹ Suhardi, Edi. 2023. “What next after the EU’s Deforestation Law Is Adopted?” *The Jakarta Post*, <https://www.thejakartapost.com/opinion/2023/04/26/what-next-after-the-eus-deforestation-law-is-adopted.html>.

³⁰ The Indonesian government and palm oil group softened their tone in June 2023, and instead are on a joint mission with Malaysia to lobby Brussels before they can bring a lawsuit to WTO for trade violation. See the news: Suroño, G., Sulaiman, S., & Teresia, A. (2023, June 8). Indonesia accuses EU of ‘regulatory imperialism’ with deforestation law. *Reuters*. <https://www.reuters.com/business/environment/indonesia-accuses-eu-regulatory-imperialism-with-deforestation-law-2023-06-08/>; Changes in tone and lack of clarity in terms of policy stance from the government and palm oil group raise concerns for media in Indonesia. For example: Rizki, M. (2023, June 13). RI Tiba-tiba Tak Jadi Gugat Eropa ke WTO, Ada Apa? *CNBC Indonesia*. <https://www.cnbcindonesia.com/news/20230613163434-4-445550/ri-tiba-tiba-tak-jadi-gugat-eropa-ke-wto-ada-apa>.

³¹ Indonesia’s exports to the Netherlands recorded at US\$5.38 billion while Indonesia’s imports from the Netherlands were recorded at US\$855 million in 2022. Indonesia’s main export products to the Netherlands include palm oil and derivatives, copra, and saturated acyclic monocarboxylates. See more: GAPKI (2023, September 14). President Jokowi Seeks Dutch Support For EUDR Abolition. <https://gapki.id/en/news/2023/09/14/president-jokowi-seeks-dutch-support-for-eudr-abolition>.

³² MENLU (2023). 17 Like-Minded Countries Convey Official Concern Regarding the EUDR. Ministry of Foreign Affairs Republic of Indonesia. <https://kemlu.go.id/portal/en/read/5234/berita/17-like-minded-countries-convey-official-concern-regarding-the-eudr>.

³³ Pandu, Pradipta. “Dialog Aturan Produk Bebas Deforestasi Uni Eropa Perlu Digencarkan.” *kompas.id*, April 4, 2023. <https://www.kompas.id/baca/humaniora/2023/04/04/dialog-aturan-produk-bebas-deforestasi-uni-eropa-perlu-digencarkan>

³⁴ It’s important to note that Brazil is the single largest exporter of agricultural products (soy, corn, and beef) to the EU, at the value of \$12 billion in 2022. In the past, these commodities have been a significant driver of deforestation in the Amazon region but the Brazilian government says only 2 percent of Brazilian farmers commit environmental crimes. Read more: Civillini, M. (2023, August 10). Amazon nations decry EU deforestation rules in thinly-veiled joint condemnation. <https://www.climatechangenews.com/2023/08/10/amazon-nations-decry-eu-deforestation-rules-in-thinly-veiled-joint-condemnation>.

³⁵ https://www.theguardian.com/world/2024/mar/25/eu-nature-restoration-laws-in-balance-as-member-states-withdraw-support?CMP=Share_iOSApp_Other

³⁶ <https://www.euractiv.com/section/agriculture-food/news/agriculture-ministers-push-to-weaken-anti-deforestation-rules-for-eu-farmers/>

³⁷ In addition, various diplomatic measures have taken, such as holding consultation with smallholder farmers, sending communiqués to Trade ministers from EU members and European commission leadership, and other diplomacy efforts in various forums at the World Trade Organization (WTO) and the Council of Palm Oil Producing Countries (CPOPC). “Ministry Of Foreign Affairs Communicates Diplomacy Efforts on EU Deforestation Regulation.” Portal Kementerian Luar Negeri Republik Indonesia, <https://kemlu.go.id/portal/en/read/4587/berita/ministry-of-foreign-affairs-communicates-diplomacy-efforts-on-eu-deforestation-regulation>.

³⁸ FERN. 2023. Indonesia, Malaysia and the Commission lay groundwork for the Deforestation Regulation. <https://www.fern.org/publications-insight/indonesia-malaysia-and-the-commission-lay-groundwork-for-the-deforestation-regulation>.

³⁹ Nicholas Jong, H. 2021. Data-driven platform looks to clear up fog of palm oil traceability. *Mongabay*. <https://news.mongabay.com/2021/11/data-driven-platform-looks-to-clear-up-fog-of-palm-oil-traceability>.

⁴⁰ E.g. Telapak EUDR stakeholder consultation meeting on October 8, 2023, Jakarta.

⁴¹ Aqil, A. Muh. Ibnu. “EU Deforestation Regulation Not Effective: Civil Groups.” *The Jakarta Post*, April 6, 2023, <https://www.thejakartapost.com/indonesia/2023/04/06/eu-deforestation-regulation-not-effective-civil-groups.html>.

⁴² European Commission. (2022, November 22). Forest Partnerships Factsheets. International Partnerships - European Commission. https://international-partnerships.ec.europa.eu/publications/forest-partnerships-factsheets_en

⁴³ E. Bond, D., Salomon, M., & Saccomano, I. (2023, December 7). US Congress Reintroduces Bill to Restrict Imports Linked to Illegal Deforestation. *White and Case*. <https://www.whitecase.com/insight-alert/us-congress-reintroduces-bill-restrict-imports-linked-illegal-deforestation>.

⁴⁴ *The Financial Times*. 2023. UK retailers urge ministers to align with EU on new ‘deforestation-free’ rules, last accessed October 10, 2023. <https://www.ft.com/content/dc6a3d54-5235-44b6-9f14-fc321a5d0754>; Environment Act (2021). Chapter 30. <https://www.legislation.gov.uk/ukpga/2021/30/enacted>

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