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EUDR ON HOLD: A BREATHING ROOM FOR INDONESIA?

On November 14, 2024, the European Parliament approved a 12-month delay in implementing the European Union Deforestation Regulation (EUDR) (Regulation (EU) 2023/1115), originally set for December 30, 2024, now postponed to December 2025, with small and medium enterprises (SMEs) granted an extended compliance deadline of June 2026 (Venturini, 2024). The regulation, designed to curb deforestation linked to agricultural imports, applies to key commodities such as cattle, cocoa, coffee, palm oil, rubber, soya, and wood (European Commission, 2024). The decision, approved by 371 votes in favor, 240 against, and 30 abstentions, also introduced a “no risk” category proposed by the EPP Party within the existing benchmarking system, which is set for finalisation by June 30, 2025 (Robinson, 2024).

Indonesia, one of the main trade partners of the EU in Southeast Asia, recorded $30.8 billion in bilateral trade, with palm oil constituting a significant share (Shofa, 2025). Responding to EUDR, Indonesia faces challenges with EUDR’s stringent requirements, such as geolocation data for harvested commodities, which raise concerns over sovereignty and resource nationalism. The postponement grants Indonesia additional time to enhance preparedness, particularly through the development of its National Dashboard to facilitate compliance and strengthen palm oil governance (Palm Oil News, 2025). However, smallholder farmers, crucial to commodity production and rural economies–helping to break poverty cycles and job creation- face challenges with EUDR’s related lack of information and technological compliance (Swift Geospatial, 2024). Thus, Indonesia’s responses must ensure inclusivity while protecting national interests, trade stability, and sovereignty. **(Meilinda Sari Yayusman, Research Center for Area Studies, BRIN)**

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TIPPING THE SCALE: CHINA’S DISRUPTION OF U.S. AI LEADERSHIP

The launch of the R1 model by Chinese startup DeepSeek has sent shockwaves through the generative Artificial Intelligence (AI) sector, an industry traditionally dominated by U.S.-based tech companies. This model rivaled OpenAI’s leading models at a fraction of the cost and displaced ChatGPT at the top of the U.S. iOS app store on 26th January (Perrigo & Pillay, 2025; Zeff, 2025). China is poised to disrupt the existing U.S. AI leadership, fielding a rival to OpenAI's GPT in the software arena and challenging Nvidia's hardware dominance with Huawei's advancements in GPU technology as part of their efforts to be self-sufficient. The sector is pivotal for the future of the global economy, with governments and non-state actors worldwide seeking to integrate generative AI technologies in their decision-making processes and services because they promise to boost overall productivity (Bommasani, 2023). Reasoning models are at the forefront of AI research, aiming to match human cognitive capabilities. These models generate responses step-by-step, mimicking human reasoning. DeepSeek R1 competes with OpenAI’s reasoning models by offering similar capabilities at one-thirtieth the cost and with the added benefit of being open-source.

This development reflects the broader trend of Chinese companies embracing open-source principles rather than protecting proprietary research for commercial gains, a contrast to U.S. tech companies (Gibney, 2025; Chen, 2025). Despite being constrained by U.S. export controls, DeepSeek has demonstrated that cutting-edge AI research does not require vast computational resources, showcasing the competitiveness of locally educated talent and securing Chinese government backing along the way. At the same time, OpenAI initiated a joint venture endorsed by the White House with SoftBank and Microsoft, dubbed Stargate, to spend $100 billion on AI infrastructure, illustrating heightened U.S.-China tensions in the sector (Wu, 2025). **(Muhammad Erza Aimar Rizky, International Relations 2022, Universitas Indonesia)**

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GLOBAL DEVELOPMENT AND ECONOMY

INDONESIA'S INDUSTRY CHALLENGES: IMPORTS' EFFECT AND GROWTH PROSPECTS

Significant effects on job prospects have resulted from the flood of imported products, especially for women working in manufacturing. Manufacturer closures and job losses have increased in the last 5 years, caused by the failure of local industries to compete with imported products. Women, who make up a portion of the workforce in manufacturing, such as textiles, are particularly negatively affected by this status quo. They experienced job instability after losing their jobs. Their ability to become economically independent has been limited by these challenges, which have made gender inequality worse (Stromquist, 2002). According to *Konfederasi Serikat Pekerja Nusantara* (KSPN), cited by CNN Indonesia, around 13,000 jobs were lost when about 12 textile manufacturers in Indonesia closed their doors in 2024. In addition to affecting their means of subsistence, job loss had wider socio-economic ramifications, such as heightened financial instability for families that depended on these manufacturers.

Indonesia should set up a focused financial assistance program for small manufacturers in local industries to enable them to grow in the international market. Studwell (2013) highlights that Indonesia can adopt an export-oriented industrial policy and impose stricter import policies to safeguard local industries and alleviate these challenges. He points out in his book *"How Asia Works: Success and Failure in the World's Most Dynamic Region"* that prosperous Asian economies, such as South Korea and Japan, gave industrial financing priority by allocating funds to productive local industries. Furthermore, according to Studwell (2013), export discipline mandates that the government must enforce manufacturers who receive financial assistance. By combining these strategies, Indonesia can foster its national economic growth and preserve jobs for women. **(Halimatu Sa'diah, Faculty of Social Science, Chiang Mai University)**

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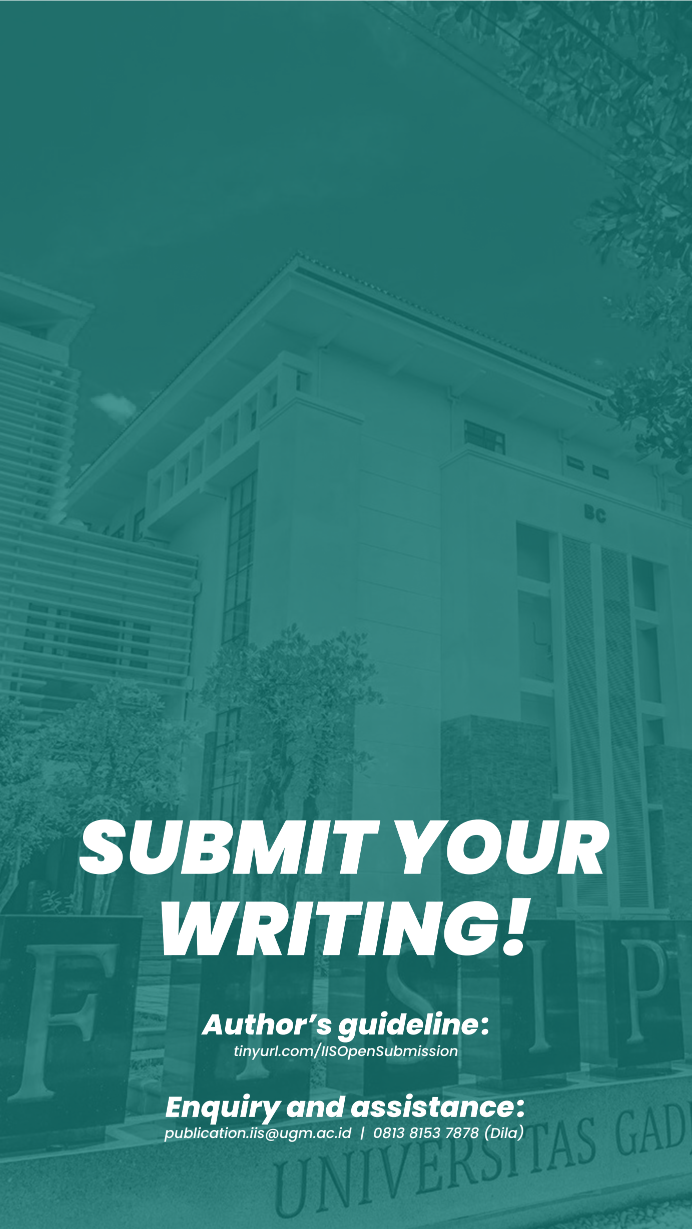
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