



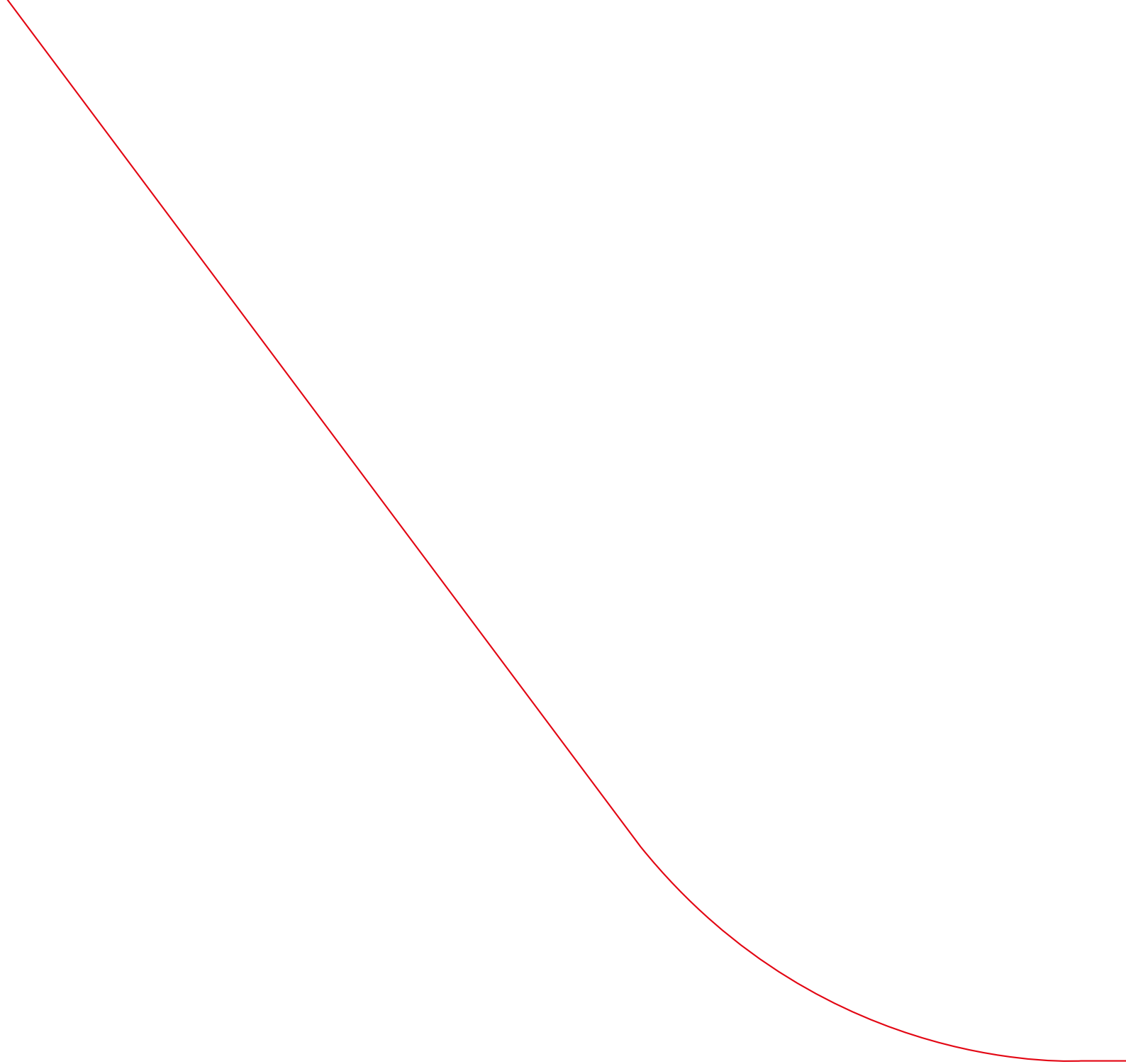
Alessa Hartmann

NO SUSTAINABLE TRADE WITHOUT STRONG LABOUR RIGHTS

**A Critical Analysis of the Sustainability Chapter in the
EU-Indonesia Agreement**

PowerShift





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EU-Indonesia Agreement**

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ZUSAMMENFASSUNG

Diese Kurzstudie analysiert die Nachhaltigkeitsbestimmungen des Kapitels über Handel, nachhaltiges Wachstum und Entwicklung (Kapitel 15) des Umfassenden Wirtschaftspartnerschaftsabkommens zwischen der EU und Indonesien (CEPA). Obwohl dieses Kapitel darauf abzielt, einen sozialen und ökologischen Schutzrahmen zu schaffen, bleibt in seiner konkreten Ausgestaltung deutlich hinter diesem Anspruch zurück. Zwar verweist es auf zentrale Normen der Internationalen Arbeitsorganisation (ILO), das Pariser Klimaabkommen sowie weitere multilaterale Umweltabkommen. Gerade dort aber, wo es auf wirksame Umsetzung und Durchsetzung ankommt, erweisen sich die Regelungen als zu schwach, zu unbestimmt oder rechtlich nur unzureichend abgesichert.

Dies ist insbesondere im Bereich der Arbeitnehmer*innenrechte problematisch. Indonesien weist seit Jahren erhebliche Defizite bei der Durchsetzung von Gewerkschaftsrechten, Arbeitsstandards und Arbeitssicherheit auf. In exportorientierten Sektoren wie Bergbau, verarbeitendem Gewerbe und Palmölproduktion sind prekäre Arbeitsbedingungen, niedrige Löhne, unzureichender Schutz der Arbeitnehmer:innen und strukturelle Rechtsverletzungen dokumentiert. Das CEPA wird gerade in diesen Sektoren zusätzliche Wachstumsanreize schaffen. Die Studie hebt einen zentralen Widerspruch hervor: Das Abkommen soll das Wirtschaftswachstum fördern, ohne sicherzustellen, dass die Arbeitnehmer:innen wirksam geschützt werden.

Wirklich durchsetzbar ist nur die formale Zugehörigkeit zu den bereits ratifizierten ILO-Konventionen, aber nicht deren Umsetzung und Anwendung in nationales Recht. Denn CEPA verankert zwar zentrale Verpflichtungen im Bereich der Arbeitnehmer:innenrechte, darunter auch die Einhaltung und Umsetzung der grundlegenden ILO-Übereinkommen sowie die Verpflichtung, Anstrengungen zur Ratifizierung von ILO-Übereinkommen zu unternehmen, denen die Vertragsparteien noch nicht beigetreten sind. Die Studie kommt jedoch zu dem Schluss, dass diese Verpflichtungen in der Praxis aufgrund teilweise vager Formulierungen und fehlender klarer, verbindlicher Durchsetzungsmaßnahmen unzureichend sind. So fehlen konkrete operative Vorgaben zu wirksamen Arbeitsinspektionen, zu Gesundheit und Sicherheit am Arbeitsplatz, zu überprüfbaren Fortschritten bei der Umsetzung oder zu klaren Zeitplänen. Durch diese Unklarheiten wird die Beurteilung, ob die Verpflichtungen eingehalten werden, ebenso wie die Möglichkeit, die Vertragsparteien zur Rechenschaft zu ziehen, erschwert. Insgesamt bilden die Bestimmungen keine wirksame Grundlage zur Verbesserung der zum Teil katastrophalen Situation von Beschäftigten.

Auch im Bereich Klima und Umwelt gibt es große Defizite. Zwar ist die Zugehörigkeit zum Pariser Klimaabkommen zusätzlich als „essential element“ abgesichert, und geht damit über die Bestimmungen zu Arbeitsrechten hinaus. Aber die Umsetzung der Vereinbarungen des Pariser Klimaabkommens wiederum ist nicht bindend abgesichert, sondern bleibt vage. Auch geht das Abkommen nicht angemessen auf die gut dokumentierten Risiken in Indonesien ein, wie etwa Entwaldung, die Ausweitung des Palmölanbaus, den Verlust der biologischen Vielfalt und Umweltauswirkungen im Rohstoffsektor. Das Palmöl-Protokoll stützt sich stark auf Zusammenarbeit, Handelserleichterungen und die Angleichung von Rechtsvorschriften, ohne verbindliche Sozial- und Umweltschutzstandards ausreichend zu gewährleisten. Kritisch ist auch, dass die EU-Entwaldungsverordnung nicht ausdrücklich als verbindlicher Standard im Abkommen verankert ist. Insgesamt entsteht der Eindruck, dass Nachhaltigkeit eher politisch befürwortet als rechtlich abgesichert wird.

Ein weiteres zentrales Problem ist die selektive Durchsetzbarkeit. Während traditionelle Markt Zugangsregeln durch starke Streitbelegungs- und Sanktionsmechanismen gestützt werden, beschränken sich die Rechtsbehelfe für das Nachhaltigkeitskapitel auf sehr eng

definierte Ausnahmefälle - wie die oben erwähnte formale Zugehörigkeit zu ILO-Konventionen. Dieses Ungleichgewicht wird noch dadurch verschärft, dass nur Staaten Streitbeilegungsverfahren einleiten können. Betroffene Gemeinschaften, Gewerkschaften und zivilgesellschaftliche Organisationen sind von der direkten Rechtsdurchsetzung ausgeschlossen. Beteiligungsmechanismen wie zivilgesellschaftliche Beratungsgruppen und das Zivilgesellschaftsforum schaffen Räume für Konsultationen, verfügen jedoch über keine wirksamen Interventions- oder Kontrollbefugnisse.

Die Kurzstudie vergleicht die CEPA-Verpflichtungen zudem mit dem EU-Neuseeland-Abkommen. Dieses gilt zwar als ambitionierter, weist aber auch erhebliche Defizite bei Durchsetzung und Rechenschaftspflicht auf. CEPA bleibt selbst hinter diesem unzureichenden Maßstab zurück: Das Neuseeland-Abkommen enthält konkretere Vorgaben etwa zu Arbeitsschutz, Klima, Governance und Transparenz, während CEPA vager bleibt und schwächere Beteiligungs- und Durchsetzungsmechanismen vorsieht.

Zuletzt bleibt festzuhalten, dass die Wirksamkeit der Nachhaltigkeitskapitel in Handelsabkommen durch die vorrangige Ausrichtung von Freihandelsabkommen auf Wirtschaftswachstum und Marktzugang erheblich eingeschränkt wird. Zwar können diese Kapitel wichtige Verpflichtungen festlegen, doch können sie die negativen Auswirkungen anderer Bestimmungen nicht ausgleichen, die der Handelsliberalisierung Vorrang vor dem Schutz von Arbeits- und Menschenrechten sowie vor Umwelt- und Klimaschutzmaßnahmen einräumen. In diesem Zusammenhang reichen selbst die ehrgeizigsten Nachhaltigkeitsbestimmungen nicht aus, um die strukturellen Probleme von Freihandelsabkommen anzugehen.

Daraus ergeben sich folgende Empfehlungen für das EU-Indonesien-Abkommen:

1. Verbindliche Vereinbarungen zu Arbeits- und Menschenrechten, Klima und Umwelt sollten in alle Teile des Abkommens integriert werden, um sicherzustellen, dass diese in den Bestimmungen zu Handelsfragen, Investitionen und allen anderen Bereichen berücksichtigt werden.
2. Kohärenz mit den Verpflichtungen im Bereich Arbeit, Menschenrechte und Umwelt, dem Green Deal, der EUDR (Entwaldungsverordnung), der CSDDD (Lieferkettengesetz), dem CBAM (CO₂-Grenzausgleichsmechanismus) und sektoralen Politiken herstellen.
3. Gewährleistung von Governance, Transparenz und demokratischer Kontrolle.
4. Messbare, verbindliche und durchsetzbare Verpflichtungen im Bereich der Arbeitsrechte sowie
5. Messbare, verbindliche und durchsetzbare Klimaschutzverpflichtungen verankern.
6. Sanktionsmechanismen auf alle Bereiche des Nachhaltigkeitskapitels ausweiten und für Gewerkschaften und Zivilgesellschaft zugänglich machen.

EXECUTIVE SUMMARY

This brief study analyses the sustainability provisions of the chapter on Trade, Sustainable Growth and Development (Chapter 15) of the EU-Indonesia Comprehensive Economic Partnership Agreement (CEPA). While the chapter aims to establish a social and environmental protection framework, its concrete design falls significantly short of this ambition. Although the agreement refers to key ILO standards, the Paris Climate Agreement and other multilateral environmental agreements, the provisions prove too weak, too vague, or insufficiently enforceable, particularly where effective implementation and enforcement are concerned.

This is especially problematic in the area of labour rights. For years, Indonesia has exhibited significant deficits in the enforcement of trade union rights, labour standards and occupational health and safety (OHS). In export-oriented sectors such as mining, manufacturing and palm oil production, precarious working conditions, low wages, inadequate worker protection and structural rights violations are well documented. CEPA is likely to create additional growth incentives precisely in these sectors. The study highlights a central contradiction: the agreement will promote economic growth without ensuring that workers are effectively protected.

In practice, the only truly enforceable labour obligation is to remain to already ratified ILO conventions, but not to implement and apply them properly on national level. Since although CEPA includes commitments to respect and implement fundamental ILO standards and to make efforts to ratify outstanding conventions. However, the study finds that these obligations remain insufficient due to in parts vague wording and the absence of clear, binding enforcement mechanisms. Concrete operational requirements are lacking, particularly with regard to effective labour inspections, occupational health and safety, measurable implementation progress and clear timelines. This lack of clarity makes it difficult to assess compliance and limits the ability to hold parties accountable. Overall, these provisions do not provide an effective basis for improving the situation of workers, which is, in some cases, dire.

Significant shortcomings also exist in the areas of climate and the environment. While remaining a party to the Paris Agreement is additionally safeguarded as an “essential element” – and thus goes beyond the provisions on labour rights – the effective implementation of its provisions is not bindingly secured and remains vague. Moreover, the agreement does not adequately address well-documented risks in Indonesia, such as deforestation, the expansion of palm oil production, biodiversity loss and environmental impacts in the raw materials sector. The Palm Oil Protocol relies heavily on cooperation, trade facilitation and regulatory alignment, without ensuring binding social and environmental safeguards. It is also problematic that the EU Deforestation Regulation (EUDR) is not explicitly anchored as a binding standard in the agreement. Overall, the impression arises that sustainability is politically endorsed rather than legally secured.

Another core issue is selective enforceability. While traditional market access rules of the agreement are backed by strong dispute settlement and sanction mechanisms, remedies for the sustainability chapter are limited to narrowly defined exceptions - such as the formal adherence to ILO conventions mentioned above. This imbalance is further exacerbated by the fact that only states can initiate dispute settlement procedures. Affected communities, trade unions and civil society organisations are excluded from direct legal enforcement. Participation mechanisms such as Domestic Advisory Groups and the Civil Society Forum provide spaces for consultation but have little effective power to intervene or ensure accountability.

The study also compares CEPA with the EU-New Zealand Agreement. While the latter is often regarded as more ambitious, it still shows considerable shortcomings in enforcement and accountability. CEPA falls short even of this limited benchmark: the New Zealand Agreement contains more concrete provisions on labour protection, climate, governance and transparency, whereas CEPA remains more vague and provides weaker participation and enforcement mechanisms.

Finally, the study concludes that the effectiveness of sustainability chapters in trade agreements is fundamentally constrained by the overarching focus of free trade agreements on economic growth and market access. While such chapters can establish important commitments, they cannot offset the negative impacts of other provisions that prioritise trade liberalisation over the protection of labour and human rights as well as environmental and climate standards. In this context, even the most ambitious sustainability provisions are insufficient to address the structural shortcomings of free trade agreements.

Therefore the following recommendations for the CEPA Agreement arise:

1. Labour and human rights, climate, and environmental measures should be integrated into all parts of the agreement, ensuring that these critical considerations are addressed across trade, investment, and all other provisions.
2. Establish coherence with labour, human rights and environmental obligations, the Green Deal, the EUDR (Deforestation Regulation), the CSDDD (Due Diligence Directive), CBAM (Carbon Border Adjustment Mechanism), and sectoral policies.
3. Establish governance, transparency, and democratic oversight.
4. Ensure measurable, binding, and enforceable labour rights commitments.
5. Ensure measurable, binding, and enforceable climate commitments.
6. Expand the sanction mechanisms to all issues covered by the sustainability chapter and make them accessible to trade unions and civil society.

1. INTRODUCTION: OBJECTIVES, SCOPE OF STUDY AND METHODOLOGY

Trade and Sustainable Development (TSD) chapters have become a standard feature of EU trade agreements. In principle, they are intended to link trade liberalisation with commitments to decent work, social justice, environmental protection and climate action, thereby placing economic integration within a broader sustainability framework. In practice, however, TSD chapters have often been criticised for a gap between normative ambition and legal effectiveness. While they typically refer to internationally recognised standards – in particular the core conventions of the International Labour Organization and multilateral environmental or climate agreements such as the Paris Agreement – such references alone do not guarantee effective implementation or enforcement.

Against this background, the CEPA is presented by the European Commission as an institutional step forward, since its sustainability chapter is, in principle, subject to the agreement's general dispute settlement mechanism. This marks a departure from earlier EU agreements, where TSD chapters relied primarily on dialogue and cooperation and were widely criticised for lacking credible enforcement. Until now, only the agreement with New Zealand has followed a more broadly comparable approach. The EU–Indonesia agreement is therefore the first case in which this more sanction-backed model is applied to a large emerging economy.

Whether this formal strengthening actually amounts to a meaningful improvement in practice is one of the central questions addressed in this study. In particular, the analysis examines to what extent the inclusion of the sustainability chapter in the general dispute settlement mechanism enhances the enforceability of labour and environmental commitments, and whether this institutional innovation is sufficient to address long-standing concerns about implementation gaps and limited accountability.

As this brief report examines the sustainability provisions of the CEPA, the focus is on Chapter 15 on trade, sustainable growth and development; in addition, related chapters and protocols that influence the structure and effectiveness of the agreement are included. Of particular relevance are Chapter 22 on Dispute Settlement, Chapter 24 on Institutional Provisions, and the Protocol on the Promotion of Trade in Sustainable Palm Oil. Taking these cross-references into account is methodologically necessary because the actual effectiveness of sustainability clauses depends not only on the wording of the relevant chapter, but also on where the stronger market-opening rules, committee structures and legal consequences are located within the wider treaty framework.

This brief study poses four key questions:

1. How binding and enforceable are the sustainability provisions in the EU-Indonesia CEPA, and what are the key risks and implementation gaps?
2. How do labour law and human rights provisions relate to the situation in Indonesia, with a particular focus on mining, related industries and export-oriented agriculture?
3. How concrete are the climate, environmental and forestry commitments?
4. How effective are transparency and participation mechanisms (Domestic Advisory Groups – DAGs and Civil Society Forum – CSF)?

Furthermore, the sustainability provisions of the CEPA are compared with the EU-New Zealand Agreement, whose provisions the European Commission has described as the 'gold standard' and a guiding principle for future free trade agreements, which is, however, contested by previous studies (Fritz 2023). In addition, the study formulates recommendations based on the analysis.

The argumentation is methodologically based on the official text of the agreement (European Commission 2025). However, this is provisional and may still change during the legal review. The European Commission's Sustainability Impact Assessment (SIA) on the agreement with Indonesia (European Commission 2020) and the text of the agreement between the EU and New Zealand are also consulted in order to compare the sustainability provisions of the two agreements (European Commission 2023b). In addition to these primary sources, secondary sources such as independent studies on the agreement's impact on civil society and the environment in Indonesia are also drawn upon. Furthermore, studies addressing the baseline situation in Indonesia and relevant to the implementation of sustainability commitments are also included. These include the human rights situation, the practical implementation of labour rights, and the environmental and climate policy implications of Indonesia's raw materials and industrial policies.

2. THE CURRENT SITUATION IN INDONESIA

Indonesia is one of the world's largest emerging economies and a key player in global supply chains. It is the largest producer and exporter of palm oil and has become a strategic supplier of critical raw materials such as nickel, which are central to industrial production and the global energy transition.

Against this background, assessing the sustainability chapter requires situating it within the existing socio-economic and environmental realities of the country. This includes persistent challenges related to labour rights, human rights protection, environmental degradation and climate impacts.

Human rights

Amnesty International's 2024 Country Report on Indonesia documents the excessive use of force against protesters, arbitrary arrests, intimidation of journalists, restrictions on freedom of expression, and shortcomings in securing the free, prior and informed consent of indigenous peoples regarding development projects (Amnesty 2024). In its 2026 Country Report, Human Rights Watch also highlights democratic backsliding and the entry into force of a criminal code that undermines freedom of expression and association (Human Rights Watch 2026). These findings are directly relevant to the implementation of trade-related sustainability commitments: where protest, public scrutiny and local mobilisation are restricted, monitoring and mechanisms that rely on complaints by affected individuals or civil society actors to monitor compliance and enforce rules of the sustainability provisions are structurally weakened.

Labour rights

Both the European Union and Indonesia formally commit to respecting the fundamental labour standards of the International Labour Organization. Indonesia has ratified all eight classical core labour conventions. However, under the ILO's updated framework of ten fundamental conventions, important gaps remain, particularly regarding occupational safety and health (Convention No. 155).

Info Box: ILO Fundamental Labour Standards at a Glance

The International Labour Organization defines international minimum standards for decent work. Since 2022, the framework includes 10 fundamental conventions (ILO 2026):

Core Labour Standards (8 classical conventions):

- Freedom of association & collective bargaining (No. 87, 98)
- Elimination of forced labour (No. 29, 105)
- Abolition of child labour (No. 138, 182)
- Non-discrimination in employment (No. 100, 111)

Expanded fundamental standards (since 2022):

- Occupational safety and health (OSH) (No. 155, 187)

Surprisingly a differentiated picture also emerges within the European Union. While all Member States have ratified the core conventions, several have yet to ratify more recent instruments such as Convention No. 155.

And although both the European Union and Indonesia have ratified ILO Convention No. 29 on forced labour, the more recent 2014 Protocol to the Convention – which strengthens obligations on prevention, protection and access to remedies – has not been universally ratified. This highlights an important gap between formal commitments and the evolution of international labour standards. In summary, the implementation gaps are not limited to partner countries but also affect the EU itself.

However, on top of that there remains a significant gap between ratification – the formal acceptance of these standards – and effective implementation and enforcement on national level. That means, while Indonesia has committed to these rights in theory, in practice, workers continue to face difficulties exercising them: According to the Global Slavery Index 2023, around 1.8 million people in Indonesia are affected by forced labour and child labour, particularly in mining, plantation and the manufacturing industry (Global Slavery Index 2023).

The International Trade Union Confederation's (ITUC) Global Rights Index 2025 continues to list Indonesia among countries with systematic rights violations. The ITUC describes a persistently negative global trend in workers' rights: very low collective bargaining coverage and declining union density; at the same time, Indonesia is classified in the context of the index as 'among the worst countries for workers' (rating 5/5) (ITUC 2025). Human and labour rights are under particular pressure in sectors that could grow as a result of the CEPA: in mines where mineral resources such as nickel and bauxite are extracted, and on palm oil plantations. For example, workers in Indonesia's nickel mines often face low wages, excessively long working hours, and unsafe working conditions, including exposure to hazardous chemicals without adequate protection (Deutsche Welle 2025).

The situation in the mining sector is even worse due to national laws. In Indonesia the classification of certain industries – including mining – as "national vital objects" has been used to restrict worker's rights, including prohibiting strikes and limiting freedom of assembly. Workers at these companies face the threat of dismissal and criminalization (Solidarity Center, 2023). Moreover, mining accidents resulting in fatalities continue to occur in Indonesia, underscoring persistent concerns about occupational safety in the sector. In this context, protests by mining workers over labour conditions have repeatedly led to arrests and detention by security forces (Reuters 2023).

Added to this is a domestic political dimension: the Indonesian 'Law No. 6 of 2023 on Job Creation', the so-called 'Omnibus Law', which came into force in 2020. It represents a comprehensive deregulation of labour market policy aimed at facilitating investment and making Indonesia a more attractive production location (Government of Indonesia 2023). The law has been sharply criticised by trade unions and human rights organisations, as key labour law protection mechanisms have been weakened (Mahy 2022). These include reduced severance pay entitlements, more flexible minimum wage regulations, an expansion of fixed-term employment and outsourcing, as well as a weakening of workers' rights and trade union influence. Trade union analyses, such as those by the International Trade Union Confederation, also point out that existing shortcomings in the enforcement of labour rights may be further exacerbated as a result (ITUC 2020).

Taken together, these developments illustrate the gap between ratification and implementation: despite Indonesia's broad formal commitment to ILO core labour standards, many workers continue to face serious labour rights violations, while existing protections are being further weakened.

But the effectiveness of any sustainability chapter on labour rights ultimately depends less on formal commitments in the text than on whether freedom of association and collective bargaining, labour inspection, and occupational health and safety (OHS) are genuinely guaranteed and enforceable in practice, and whether trade unions and workers have the political space to address violations.

Environment and Climate

The situation in Indonesia regarding forest protection is similarly alarming. Indonesia is home to extensive tropical rainforests of global importance – ecosystems that are central to biodiversity conservation and climate stability, but increasingly under pressure from deforestation and industrial expansion. Global Forest Watch shows a long-term trend of high forest loss in Indonesia: a cumulative loss of around 32 million hectares of tree cover between 2001 and 2024, linked to high emissions (Global Forest Watch 2001–2024).

In particular the excessive production of palm oil is driving deforestation further. Indonesia is the world's largest producer and exporter of palm oil. However, this expansion-oriented economic model has serious consequences: the production, processing and trade of palm oil products by domestic and foreign companies are among the main causes of rainforest destruction, as well as human rights and labour rights violations in Indonesia (Greenpeace 2018).

This is doubly relevant for the sustainability chapter: firstly, rules are needed that do not indirectly fuel deforestation (e.g. through export/investment incentives without clear safeguards); secondly, monitoring and enforcement instruments are needed that are effective in practice.

But Indonesia is also a global heavyweight in the minerals sector: the country produces over 50 per cent of the world's nickel, ranks among the top five bauxite exporters, and is also one of the world's leading producers of tin and copper. These metals are urgently needed, for example for the 'green transition'. The 'green transition' towards more sustainable energy and mobility systems is often invoked to justify rising demand for raw materials such as nickel, cobalt and bauxite. However, these materials are not used exclusively – or even primarily – for green technologies. They are also required in a wide range of other industrial sectors, including mechanical engineering, electrical equipment, combustion engine production and defence. This is important because it shows that growing demand for raw materials cannot be attributed to the energy transition alone, nor automatically legitimised as sustainable.

At the same time nickel mining is a key driver of deforestation, causing CO₂ emissions and thereby, counterproductively, fueling the climate crisis. Once large areas of rainforest have been cleared, nickel can be extracted relatively easily. In addition to deforestation, polluted rivers and the death of mangroves caused by human intervention also threaten entire ecosystems in Indonesia (Milko et al. 2024).

Taken together, these developments support the view that the very sectors likely to benefit most from CEPA are already plagued by acute governance problems.

3. THE EU COMMISSION'S SUSTAINABILITY IMPACT ASSESSMENT: FINDINGS AND GAPS

The European Commission's Sustainability Impact Assessment (SIA) is a standard analytical tool accompanying EU trade negotiations. It is intended to assess the potential economic, social, human rights and environmental impacts of a proposed agreement, both ex ante and, in principle, as a basis for ongoing monitoring. SIAs are meant to inform negotiators, identify risks and mitigation measures, and provide a degree of transparency towards stakeholders and the public.

At the same time, the role and effectiveness of SIAs remain contested. As ex-ante assessments, they are inherently limited in their ability to predict real-world impacts, particularly in complex governance contexts. Moreover, SIAs do not have binding force: their findings and recommendations are not systematically translated into concrete legal obligations within trade agreements. As a result, they often highlight risks and implementation gaps without ensuring that these are effectively addressed in the final agreement (Dupre/Dauphin 2022).

Against this background, the SIA for the EU-Indonesia agreement provides an important analytical reference point, but its findings must be assessed critically, in particular with regard to how – and whether – identified risks are reflected in the design and enforceability of the sustainability provisions.

Although the Commission's published conclusions on the Sustainability Impact Assessment (SIA) arrive at a predominantly positive overall assessment (European Commission 2020), they highlight significant risks and dangers, particularly in the areas of the environment and labour rights in Indonesia:

For instance, in the 'Vegetable Oil & Oilseeds' sector, the SIA explicitly addresses the palm oil issue, referring to land rights conflicts in Indonesia, potential evictions/land grabbing and particular risks for indigenous groups in connection with the expansion of plantations; it also mentions labour law issues in the sector (including precarious employment without contracts). In the environmental sector, deforestation is identified as a key risk; the SIA cites analyses indicating that a significant proportion of plantation land (as of 2017) is located in formerly forested areas, and discusses deforestation dynamics in Borneo and Papua as likely hotspots should current trends continue.

Furthermore, the SIA forecasts massive job losses in Indonesian industry – up to 60,000 in the automotive sector alone – in favour of employment growth in the precarious textile sector. The report also warns of an increase in jobs in special economic zones, where low wages and weak labour rights are the norm. Rather than strengthening industrial development, the agreement threatens to further push Indonesia into the role of a low-wage location. In addition, the report estimates that working conditions are generally unlikely to improve (working hours, union busting, wage negotiations). Furthermore, shortcomings in enforcement and labour inspections are also highlighted.

What measures should be taken to mitigate risks?

The SIA recommends, among other things, incorporating human rights-related references into the sustainability chapter and strengthening the enforcement of human rights through capacity building and continued human rights dialogue, particularly with regard to the rights of indigenous groups and land rights. Regarding deforestation, the SIA points to the possibility of providing an organisational framework for cooperation on land-use change and deforestation.

Secondly, the SIA itself explicitly highlights the limitations of ex-ante analyses and recommends an ex-post SIA, as not all actual impacts can be anticipated. This is politically relevant because the effectiveness of the agreement will ultimately depend on whether adequate monitoring and corrective mechanisms are established and properly implemented – an aspect that remains to be proven.

4. WHAT THE SUSTAINABILITY CHAPTER CONTAINS

Chapter 15 of the CEPA, entitled “Trade and Sustainable Growth and Development” (TSGD) is intended to frame trade and investment relations within a broader set of social and environmental objectives. It seeks to ensure that economic integration is accompanied by commitments on labour rights, environmental protection, climate action and the sustainable use of natural resources, rather than treating these issues as entirely separate from trade policy.

At the same time, the chapter does not primarily regulate market access, but sets out principles, substantive commitments and cooperation mechanisms in areas such as internationally recognised labour standards, multilateral environmental agreements, biodiversity, forests and climate policy. Its overall purpose is to provide a normative and institutional framework through which trade liberalisation is meant to be made compatible with sustainable development objectives.

The sustainability chapter of the EU-Indonesia Agreement covers several areas (European Commission 2025): in addition to labour rights (Art. 15.4) and climate (Art. 15.7), the chapter includes provisions on biodiversity, illegal wildlife trade, sustainable resource use, a scientific and technical information base, and cooperation mechanisms. In addition, a ‘Protocol on Sustainable Palm Oil’ is appended to the sustainability chapter.

Substantive Obligations and Legal Architecture

The most stringent obligation in Chapter 15 concerns the commitment to remain a party to the Paris Agreement (Art. 15.7(3)), which is explicitly designated as an “essential element” of the agreement. This classification gives the provision particular legal weight: in the event of a serious breach, the other party may adopt appropriate measures, including the suspension of trade preferences in accordance with the general dispute settlement provisions (Art. 22.17).

At the same time, the scope of this obligation is relatively narrow. The requirement to “remain a party” primarily refers to formal participation in the Paris Agreement, rather than to the ambition or adequacy of domestic climate policies. This means that a contracting party may formally comply with the obligation while pursuing climate policies that fall short of the Agreement’s objectives.

This differs from the EU-New Zealand Agreement, where the climate obligation is formulated more broadly. There, the parties commit not to take any action or omission that “materially defeats the object and purpose” of the Paris Agreement. This formulation goes beyond formal adherence and introduces a more substantive standard, linking compliance more directly to the effectiveness of climate policy. Against this background, the CEPA provision appears more limited in scope, as it focuses on formal membership rather than the consistency of domestic policies with climate goals.

However, even though the wording in the EU-New Zealand Agreement suggests a broader scope of application, the enforceability of this vaguely phrased obligation in the event of a dispute remains questionable. An arbitration panel may have some difficulties in determining whether a party’s actions or omissions actually contradict the broad goals of the Paris Agreement.

Box The “essential elements” clause in trade agreements

The “essential elements” clause designates certain commitments as fundamental to the agreement. In the case of a serious breach — for example, failure to adhere to the Paris Agreement – it allows the other party to adopt appropriate measures, including the partial or full suspension of trade benefits.

In practice, however, such clauses are rarely invoked, as their use depends on political will and can carry significant diplomatic and economic consequences.

Labour-related commitments are primarily based on the conventions of the International Labour Organization. CEPA refers to “remain a party in good faith to the fundamental ILO conventions ratified”, but without the reinforcement provided by the “essential elements” clause. It also refers to the the fundamental principles and rights at work and to the effective implementation of ratified ILO conventions, in particular the core labour standards (e.g. freedom of association, prohibition of forced labour, abolition of child labour and non-discrimination). In addition, the parties commit to making “continued and sustained efforts” towards the ratification of further ILO instruments that have not yet been ratified. This is particularly relevant in light of the expanded set of fundamental conventions, which now also includes occupational safety and health (Conventions No. 155 and 187), and which have not been universally ratified by Indonesia or all EU Member States.

In contrast to the Paris Agreement, however, ILO-related obligations are not designated as “essential elements”. While they formally fall under the general dispute settlement mechanism of the agreement, this difference in legal status raises questions about their relative weight and the practical consequences of non-compliance. The absence of an “essential elements” classification suggests that breaches may not trigger the same level of political and legal response as in the case of climate commitments.

Beyond these core areas, the sustainability chapter includes a wide range of additional provisions, covering forests, biodiversity, illegal logging, illegal wildlife trade, labour inspection, decent working conditions, social dialogue and responsible business conduct. These areas are explicitly addressed, but are typically framed in more general terms and rely on cooperation, dialogue and progressive improvement. As a result, the degree of legal precision and enforceability varies considerably across the chapter, with many provisions lacking clearly defined obligations or implementation mechanisms. Experiences with other agreements, such as the EU-South Korea agreement, show that such formulations are insufficient to establish genuinely binding commitments (Fritz 2023).

Monitoring and Civil society participation

The Agreement provides for the establishment of Domestic Advisory Groups (DAGs), which are intended to monitor and accompany the implementation of the sustainability chapter from a civil society perspective. Their role is to review how the parties are applying the labour, environmental and climate-related commitments set out in the agreement, to raise concerns, and to formulate recommendations on implementation. DAGs must be established or appointed within one year of the agreement’s entry into force and are meant to ensure a balanced representation of independent civil society organisations, including trade unions, environmental and human rights NGOs, business and employers’ organisations, and other relevant stakeholders.

Each Party is required to meet with its DAG at least once a year and to consider its views and recommendations, although decisions on follow-up remain with the Party itself.

In addition, the CEPA provides for a Civil Society Forum (CSF), which differs from the Domestic Advisory Groups (DAGs) in both structure and function. While DAGs are permanent domestic bodies established on each side to monitor the implementation of the sustainability chapter and formulate recommendations, the CSF is conceived as a joint dialogue platform bringing together civil society representatives from both parties.

The forum is intended to enable exchanges with the Trade Committee, the central body responsible for supervising the overall implementation and operation of the agreement. In this way, the CSF is meant to create a channel through which civil society concerns can be raised at the bilateral level.

Dispute settlement procedure

Article 15.21 (Pre-dispute resolution) provides for a dedicated consultation phase before the initiation of formal dispute settlement procedures under Chapter 22. It allows the parties to address issues related to the implementation of the sustainability chapter through dialogue, exchange of information and cooperative engagement. The aim is to resolve concerns at an early stage, without escalating them into formal disputes.

In practice, this mechanism functions as a political and diplomatic consultation tool, rather than a legal enforcement instrument. It does not establish binding timelines, measurable outcomes or consequences in case of non-compliance. While it may facilitate dialogue and mutual understanding, its effectiveness depends largely on the willingness of the parties to engage constructively.

Compared to earlier EU trade agreements, which relied heavily on such consultation-based approaches, the inclusion of pre-dispute resolution in CEPA reflects continuity rather than innovation. In the absence of clear follow-up obligations or enforcement triggers, the mechanism risks remaining limited to soft governance, with uncertain impact on addressing concrete labour or environmental violations in practice.

As such, the provision may help to structure dialogue, but does not address the core challenge of enforcement. Without clear escalation pathways or consequences, pre-dispute resolution risks delaying rather than resolving conflicts, particularly in politically sensitive areas such as labour rights or environmental protection.

But the agreement takes further steps: a general dispute settlement mechanism (Chapter 22) to address conflicts between the parties regarding the interpretation and application of the agreement. Notably, the TSGD (Chapter 15) is, in principle, included within this mechanism – making Indonesia only the second partner, after New Zealand, for which sustainability commitments are formally subject to the same enforcement framework as other parts of the agreement. The following section outlines how this mechanism operates in practice and which types of obligations can realistically be enforced.

Chapter 22 applies in principle to disputes concerning 'all provisions' of the Agreement; Chapter 15 is not excluded from this. In practical terms, this means that if one party considers the other to be in breach of an obligation – for example, failing to adhere in good faith to the Paris Agreement – it may initiate consultations. If these do not lead to a resolution, a formal panel procedure can be triggered, resulting in a report and, ultimately, the possibility of temporary remedies such as compensation or the suspension of trade concessions. The dispute settlement system also contains comprehensive transparency rules, including the publication of requests and reports, the possibility of amicus curiae submissions, and public hearings (except for confidential parts).

The provision on provisional compensation in Article 22.17 is formulated in general terms and is not expressly limited to Article 15.4(4) or Article 15.7(3). However, these two provisions

represent the clearest 'hard' obligations in Chapter 15 and are therefore the most likely entry points for formal dispute settlement proceedings. Article 15.4(4) requires each Party to remain in good faith to the fundamental conventions of the International Labour Organization that it has ratified, while Article 15.7(3) establishes a similar obligation with regard to the Paris Agreement, which is also designated as an "essential element" of the Agreement.

A further distinction is relevant with regard to Article 15.4(5), which commits the parties to make "continued and sustained efforts" towards ratifying ILO conventions that have not yet been ratified. While this provision formally falls within the scope of the dispute settlement mechanism, its open-ended and aspirational language makes it difficult to operationalise in practice. In contrast to Article 15.4(4), which establishes a clearer obligation, Article 15.4(5) lacks concrete benchmarks or timelines, limiting its potential to serve as a basis for dispute settlement proceedings.

Also, many other provisions in the sustainability chapter – such as those relating to forests, biodiversity, labour inspection, decent working conditions, social dialogue or responsible business conduct – are formulated in more general or aspirational terms. As a result, they are less clearly linked to enforceable obligations and are therefore unlikely to trigger sanctions in practice, even though they formally fall within the scope of the dispute settlement mechanism.

5. COMPARISON WITH THE EU-NEW ZEALAND AGREEMENT

The EU-New Zealand Agreement has been in force since 1 May 2024 and is described by the European Commission as setting a new benchmark with “the most ambitious sustainability commitments”, including enforceable obligations and, in certain cases, the possibility of trade sanctions (Dombrovskis 2022). However, this characterisation should be treated with caution. As critical analyses have pointed out (Fritz 2023), the agreement still exhibits significant structural limitations, particularly regarding the scope of enforceable obligations, the reliance on state-to-state enforcement, and the limited role of affected stakeholders in triggering procedures. Even in this more advanced model, important areas of labour and environmental governance remain only partially operationalised or difficult to enforce in practice.

When comparing the CEPA with the EU-New Zealand Agreement, the sustainability chapter (Chapter 19) of the latter is nevertheless instructive, as it goes beyond the CEPA provisions in several key respects (European Commission 2023b). First, the set of labour-related commitments is broader. These include obligations regarding occupational health and safety (OHS) and the establishment of effective labour inspection systems. In contrast, CEPA relies on a more limited set of commitments to implement ratified ILO core conventions, without specifying concrete institutional requirements.

Second, the climate-related provisions in the EU-New Zealand Agreement are more substantively defined. In addition to the obligation to effectively implement the Paris Agreement, the parties commit not to take any action or omission that “materially defeats the object and purpose” of the Agreement. However, even this formulation leaves room for interpretation and does not automatically translate into clear enforcement thresholds. An arbitration panel may face some difficulties in determining a violation of this rather vaguely worded commitment. Compared to CEPA, which limits itself to the obligation to remain a party to the Paris Agreement, the New Zealand Agreement nonetheless establishes a broader and more substantive benchmark.

Third, governance and transparency mechanisms are more strongly institutionalised. The EU-New Zealand Agreement requires the Trade and Sustainable Development Committee to publish reports and provides more structured opportunities for stakeholder engagement. It also allows for submissions from the public and relevant stakeholders on the implementation of sustainability commitments. However, these participatory mechanisms remain consultative in nature and do not grant civil society actors direct access to dispute settlement procedures.

In contrast, the CEPA provides for Domestic Advisory Groups and a Civil Society Forum, but does not establish similarly clear or formalised procedures for stakeholder submissions at the bilateral level. Opportunities for civil society input are therefore more limited and less clearly defined.

Table 1: Comparison of the provisions of the sustainability chapters in the EU’s agreements with Indonesia and New Zealand

Dimension	EU-New Zealand Agreement (in force since 2024)	EU-Indonesia Agreement (text as of 2025)
Legal status of TSD chapter	Integrated into dispute settlement mechanism up to the compliance stage (i.e., a panel of experts issuing a report with recommendations)	Formally included in general dispute settlement (but with loopholes)
Sanctions / remedies	Sanctions option limited to violations of obligations on ILO core labour standards and the Paris Agreement. The remaining TSD commitments – actually the majority – still non-sanctionable	Possible in principle, but effectively limited to few “hard” obligations (e.g. “remain a party”)
Climate commitments	Obligation not to “materially defeat the object and purpose” of the Paris Agreement (essential element), but difficult to establish breaches due to this rather vague wording	Obligation to “remain a party” to the Paris Agreement (essential element)
Labour rights obligations	Broader coverage (e.g. references to OHS and labour inspection systems)	Obligation to „remain a party“ to the fundamental ILO conventions; General commitment to implement ratified ILO conventions; limited operationalisation
Ratification of further ILO conventions	Encouraged, but still not strictly binding	“Continued and sustained efforts” (soft obligation, no benchmarks or deadlines)
Civil society participation	Structured stakeholder input, including submission possibilities	DAGs and Civil Society Forum; mainly consultative, limited follow-up power
Access to enforcement	State-to-state only; no direct access for affected stakeholders	State-to-state only; no direct access for affected stakeholders

Overall, the comparison highlights that even the EU-New Zealand Agreement – often presented as a “gold standard” – retains important weaknesses in terms of enforceability, access to remedies and the role of civil society. The CEPA builds on some elements of this model, such as linking parts of the sustainability chapter to dispute settlement, but falls short in terms of legal precision, operationalisation and participatory mechanisms. The key issue is therefore not only the inclusion of sustainability provisions, but the extent to which they create enforceable obligations and meaningful avenues for accountability.

6. ASSESSMENT AND ANALYSIS: EFFECTIVENESS, RISKS, GAPS

This chapter examines the sustainability provisions of the CEPA, focusing on labour rights, environmental and climate commitments. It analyses their legal design, enforceability and implementation challenges, and situates them within the broader political and socio-economic context.

Labour rights: credibility check

The CEPA contains several key elements relevant to labour law, including references to the fundamental principles and rights at work of the International Labour Organization, a commitment to the effective implementation of ratified ILO conventions, and a prohibition on lowering labour standards to promote trade or investment. At first glance, this reflects a strengthening compared to earlier EU trade agreements. However, the effectiveness of these provisions depends not only on their formal inclusion, but on how they are operationalised and enforced in practice.

While Chapter 15 is, in principle, subject to the general dispute settlement mechanism (Chapter 22), the practical enforceability of labour-related obligations remains limited. A clear hierarchy emerges: the strongest remedies, including the possibility of suspending trade preferences, are most closely linked to a narrow set of obligations – in particular the requirement to remain in good faith to ratified ILO conventions (Art. 15.4(4)). Even here, enforcement is primarily geared towards formal compliance. This means that withdrawal from an ILO convention could potentially trigger dispute settlement, whereas violations of underlying labour rights – such as restrictions on freedom of association or the persistence of forced labour – cannot be effectively combatted through this mechanism.

Also the meaning of the obligation to “remain in good faith” to the ratified fundamental ILO conventions is not entirely clear-cut. On one reading, the phrase may be understood as requiring more than a merely formal commitment to the relevant international instruments. Since many ILO obligations can only be given practical effect through domestic legislation, administrative enforcement and judicial remedies, national implementation and application may therefore become relevant where deficiencies in domestic law or practice reveal that a party is not genuinely complying with its international commitments. At the same time, there are important reasons to resist an overly broad reading of the clause. The provision does not expressly require the parties to “implement”, “give effect to”, “adopt and maintain laws”, or “effectively enforce” the relevant conventions in domestic law. Rather, it refers in general terms to remaining “in good faith” to conventions already ratified by the party. Good faith is generally a standard governing for the manner in which existing obligations are performed; it does not, without clearer wording, create an autonomous obligation of full legislative incorporation or comprehensive domestic enforcement.

Other labour-related provisions, including commitments on labour inspection, occupational health and safety (OHS), decent working conditions, or efforts to ratify additional ILO conventions (Art. 15.4(5)), are formulated in more general or aspirational terms. Although they formally fall under the dispute settlement system, their lack of concrete benchmarks, timelines or reporting obligations makes it difficult to establish non-compliance and to trigger remedies. CEPA does not provide a dedicated sustainability-specific mechanism to address such implementation gaps, leaving enforcement largely dependent on political dialogue and cooperation.

This structural limitation is particularly relevant in the Indonesian context. As documented above, significant deficits persist in the enforcement of labour rights, especially with regard

to trade union freedoms and labour inspections. The EU's Sustainability Impact Assessment also highlights these gaps. At the same time, the domestic regulatory framework has shifted in a direction that prioritises investment and labour market flexibility, notably through the so-called Omnibus Law. In combination with CEPA's trade liberalisation effects, this creates a risk that economic expansion – particularly in labour-intensive sectors such as mining, manufacturing and agriculture/palm oil – may proceed without corresponding improvements in labour protection.

More broadly, the agreement lacks a clear “roadmap logic” for labour rights implementation. While Article 15.14 refers to a “series of actions”, these are not further specified, and no systematic monitoring or measurable progress indicators are established. This gap between formal commitments and implementation is reinforced by the fact that only governments can initiate dispute settlement proceedings. Workers, trade unions and affected communities have no direct access to enforcement mechanisms, making the activation of procedures dependent on political will.

Taken together, these elements point to a structural imbalance: while the sustainability chapter introduces certain enforceable elements, meaningful remedies remain confined to a narrow set of obligations, whereas core issues such as labour law enforcement, working conditions and union rights are only weakly operationalised. The result is a risk that existing labour rights violations are not effectively addressed, and could be exacerbated by the interaction between domestic deregulation and international market opening.

Climate, environment, forests and raw materials

In the area of climate policy, the CEPA establishes a comparatively stronger formal anchor. The obligation to remain a party to the Paris Agreement is designated as an “essential element” (Art. 15.7(3)), and is linked to the general dispute settlement mechanism, including the possibility of remedial measures under Article 22.17. However, as discussed above, this obligation primarily concerns formal “remaining a party” and does not in itself ensure alignment of domestic policies with climate targets.

This becomes even clearer while at the same time, the scope and practical enforceability of these obligations remain limited. The agreement does not specify concrete parameters or benchmarks for what constitutes “effective implementation” of the Paris Agreement, nor does it define what would amount to a breach of this obligation. As a result, it remains unclear which actions or omissions could realistically be challenged under the agreement and how a potential dispute would be assessed. This lack of operationalisation creates significant uncertainty and may limit the practical enforceability of climate commitments, as there are no clearly defined criteria for violation or corresponding consequences for non-compliance.

More broadly, the environmental and forestry-related provisions fall short of the challenges at hand. While the agreement contains a range of commitments – including the effective implementation of multilateral environmental agreements, the protection of biodiversity and measures against illegal wildlife trade – these are largely formulated in general terms and are not accompanied by clearly defined enforcement pathways or sanction mechanisms. In light of ongoing deforestation, high risks in the palm oil sector and persistent land-use conflicts, the absence of concrete, measurable obligations and credible sanctions limits their effectiveness.

The Palm Oil Protocol is particularly ambivalent in this regard. It is intended to expand opportunities for bilateral trade in “sustainable” palm oil and to facilitate compliance with sustainability-related requirements. However, it remains questionable whether palm oil production, given its structural links to deforestation, land conflicts and labour rights

violations, can in practice be considered sustainable. At the same time, the protocol opens the door to the recognition or integration of existing certification schemes, such as ISPO, whose effectiveness has been widely criticized (Greenpeace 2021). In a sector where the Sustainability Impact Assessment explicitly identifies significant environmental and social risks, this approach is problematic: rather than addressing structural shortcomings, there is a risk that weak certification systems are effectively upgraded and used as substitutes for binding due diligence obligations. The protocol therefore risks legitimising unsustainable practices rather than addressing existing deficiencies.

It is also critical that the EU Deforestation Regulation (EUDR) is not explicitly anchored in the agreement as a binding standard, despite its central relevance for deforestation-linked supply chains such as palm oil. Instead, the protocol prioritises dialogue, trade facilitation and cooperation. This creates the impression that voluntary approaches and existing certification schemes could replace stricter, enforceable rules on deforestation and supply chain due diligence, thereby further limiting the agreement's capacity to address environmental risks effectively.

Beyond questions of implementation and enforcement, a more fundamental issue arises in the context of palm oil and other resource-intensive sectors: whether it is at all sustainable to promote the expansion of trade in products that are structurally linked to deforestation, land conflicts and labour rights violations. In the case of palm oil, a growing body of evidence points to systemic risks associated with large-scale plantation expansion, even where certification schemes or regulatory improvements are in place (Greenpeace 2018).

This raises broader questions about the scope and limits of sustainability chapters as a policy instrument. While TSD provisions aim to mitigate negative impacts through standards, cooperation and monitoring, they do not address the underlying growth dynamics and demand structures that drive environmental degradation and social harm. As a result, there is a risk that sustainability commitments operate primarily as a symbolic layer to trade liberalisation, rather than questioning whether certain forms of trade expansion are compatible with environmental and social objectives in the first place.

Furthermore, corporate responsibility is addressed in the CEPA mainly through cooperation and regulatory alignment, not through clearly enforceable due diligence duties. This is especially visible in the Palm Oil Protocol, which focuses on dialogue, traceability systems and support for smallholders and businesses, but does not provide for a binding due diligence regime with grievance mechanisms and sanctions. The relevant approach is embedded in Chapter 15.12 and the Protocol on Sustainable Palm Oil, both of which prioritise cooperation and trade facilitation over enforceable corporate accountability.

Monitoring and Civil society participation

As outlined above, the Domestic Advisory Groups (DAGs) and the Civil Society Forum (CSF) are intended to provide channels for civil society participation in the implementation of the sustainability chapter. However, when assessed in terms of their likely effectiveness, important limitations become visible.

The main criticism of the DAGs is that, while they create spaces for civil society participation, they have little real enforcement power. They can issue statements and formulate recommendations, but cannot initiate proceedings themselves nor effectively sanction violations. Their role therefore remains largely consultative. At the same time, they are heavily dependent on the political will of the contracting parties and often suffer from a lack of transparency, limited resources and weak institutional integration (Friedrich-Ebert-Stiftung 2020). Given the political situation in Indonesia, it is highly questionable whether trade unions and civil society will even be able to raise critical issues in the DAGs.

A similar assessment applies to the CSF. As discussed above, it is not designed as a standing monitoring body like the DAGs, but rather as a bilateral dialogue platform. Its role therefore appears even more consultative than supervisory. In addition, its practical functioning remains weakly specified, since detailed procedural rules and operational guidelines are only to be established after the agreement enters into force.

7. CONCLUSIONS AND RECOMMENDATIONS

The sustainability chapter in the EU-Indonesia agreement includes key obligations, such as remaining to ILO conventions and the Paris Agreement. However, while these commitments are important, the chapter falls short of ensuring effective and enforceable sustainability governance. This reflects a broader limitation of sustainability chapters in trade agreements: they offer a framework for integrating social, environmental, and labour concerns, but their impact is constrained by no or selective enforceability, vague roadmaps, and insufficient trade union and civil society involvement.

Moreover, even a well-designed sustainability chapter cannot counteract the broader risks posed by trade agreements that prioritize economic growth over environmental and social protection. The CEPA's provisions are inadequate to address the given violations of labour rights and the systemic challenges of sectors like palm oil, deforestation, and resource extraction, as they rely too heavily on voluntary compliance and political will, rather than enforceable measures.

The following recommendations for the agreement therefore arise:

1. Labour and human rights, climate, and environmental measures should be integrated into all parts of the agreement, ensuring that these critical considerations are addressed across trade, investment, and all other provisions
 - a. Introduce a hierarchy clause to ensure that labour standards and environmental and climate protection measures are not undermined by trade-related obligations.
2. Establish coherence with labour and human rights obligations, the Green Deal, the EUDR (Deforestation Regulation), the CSDDD (Due Diligence Directive), CBAM (Carbon Border Adjustment Mechanism) and sectoral policies
 - a. Systematic assessment of trade liberalisation measures for their impact on workers, trade unions, the climate and the environment (ex-ante and ex-post).
 - b. Link trade benefits to measurable progress on trade union rights, social standards, climate and environmental protection.
 - c. Encourage incentives for low-emission production and consumption, particularly in sectors such as agriculture and raw materials, to promote sustainable practices and reduce environmental impact.
 - d. Promotion of sustainable value chains and corporate due diligence rather than mere market opening.
3. Establish governance, transparency and democratic oversight
 - a. Institutionalised participation of civil society, trade unions and affected communities with genuine opportunities to influence decisions.
 - b. Introduction of independent monitoring mechanisms.
 - c. Binding disclosure requirements for all bodies (similar to the EU–New Zealand agreement).
4. Ensure measurable, binding and enforceable labour rights commitments:

- a. The ratification, implementation and application of all ten ILO core labour standards at the latest upon the provisional application or entry into force of CEPA.
 - b. Binding provisions on effective labour inspections, occupational health and safety, measurable progress in implementation, and clear timelines for achieving these goals.
5. Ensure measurable, binding and enforceable climate commitments
- a. Introduction of clearly defined criteria for when measures are deemed to be in breach of the Paris Agreement (e.g. alignment with existing multilateral environmental agreements).
 - b. Inclusion of an explicit 'do no harm' clause that phases out measures harmful to climate policy (e.g. fossil fuel subsidies).
6. Expand and make sanction mechanisms accessible for all issues covered by the sustainability chapter
- a. Extend the scope of trade sanctions to cover all labour and environmental obligations, not just selected key areas.
 - b. Grant legal standing to trade unions and civil society actors to strengthen enforcement.

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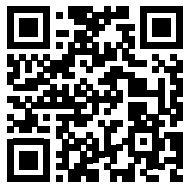
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NO SUSTAINABLE TRADE WITHOUT STRONG LABOUR RIGHTS

A Critical Analysis of the Sustainability Chapter in the EU-Indonesia Agreement

May 2026

