

CHAPTER I

INTRODUCTION

1.1 Background of Research

Nickel is a commodity with a silvery white metal element formed naturally in the earth's crust. Nickel commodities are needed by many industries, such as downstream industries, which are industries that process semi-finished or ready-to-use raw materials, such as household appliances and transportation. In addition to raw materials in daily life, nickel can be used to make batteries in electric vehicles.¹ It certainly makes world nickel very important for daily needs.

Indonesia is the largest country in nickel ore production in the world, with production of about 1.6 million tons of nickel ore in 2022 and resource reserves of about 21 million tons.² Nickel in Indonesia can be found on the islands of Kalimantan, Sulawesi, Papua, Maluku, and Halmahera. One of Indonesia's attractions of Indonesia is the mineral sector. The mineral sector is one of Indonesia's most valuable assets and has significant economic appeal.

¹ Sunariyanto, B. P., & Yusgiantoro, L. A. (2021). EV Indonesian Nickel Battery: potentials, issues, and what must be improved. <https://www.purnomoyusgiantorocenter.org/ev-indonesian-nickel-battery-potentials-issues-and-what-must-be-improved/>

² Felicia Grace and Massita Ayu Cindy. (2023) Optimizing Indonesia's Nickel Industry Potential and Maximizing its Derivatives. The Diplomat. <https://thediplomat.com/2023/07/optimizing-indonesias-nickel-industry-potential-and-maximizing-its-derivatives/>

Indonesia is known as a country rich in mineral resources, with a variety of commodities such as raw nickel ore. The abundance of mineral resources has made this sector the backbone of the Indonesian economy. Raw nickel ore is one notable example of a mineral resource that is a great source of revenue for the country and a significant provider of employment for the community.³ As such, the mineral sector is a major focus of the Indonesian government's efforts to advance the country's economy. Most of Indonesia's nickel is exported in the form of ore nickel, which is very low utilization in the country. In the end, the government provided a policy to ban raw mineral exports in 2020 through the Minister of Energy and Mineral Resources Regulation (*Permen ESDM*) Number 11 of 2019, which requires companies to establish smelters through this regulation, of course, it can increase the added value of domestic mineral products.

This policy was adopted because Indonesia, as the single largest producer of ore during the 2004-2013 decade, currently only produces a much smaller share of nickel metal, which is five per cent.⁴ Indonesia believes that the nickel export ban policy is the most transformative goal, as it is related to value addition and resource conservation, which refers to Indonesia's long-term vision of sustainable development. In the context of Islamic economics, factors

³ Barizi, Muhammad Hirza, and Reza Triarda. "RANTAI PASOKAN GLOBAL DAN NASIONALISME SUMBER DAYA ALAM: KAJIAN TERKAIT HILIRISASI NIKEL DI INDONESIA." *Indonesian Journal of International Relations* 7.2 (2023): hlm 313-339.

⁴ Firdaus, Sabilla Ramadhiani. *Pembatasan Ekspor Nikel: Kebijakan Nasional Vs Unfairness Treatment Hukum Investasi Internasional*. LAN RI: Makarati Bhakti Nagari, 2022

such as stability, justice, and sustainability also play an important role in determining export restriction decisions.

From the Islamic perspective, the view of Protectionism is broader and based on the principles of benefit and complementarity. Protectionism is permitted in Islam only when there is a change in the market system, not as a measure to protect domestic industries without reason.⁵ The principle of Protectionism is only applied if it can bring benefits to society and does not have a negative impact on the global economy.

The purpose of this study is to analyze government policy on the implications of nickel ore export restrictions on trade in Indonesia. The Indonesian government considers nickel ore as a resource that must be utilized properly for the Indonesian economy and can create many jobs. By enforcing the policy of limiting nickel exports in the form of semi-finished goods. Based on this, research on the government's efforts to safeguard nickel and see many opportunities for foreign investment to come. Thus, this research is very important considering the implications of export restrictions that not only have an impact on sustainability but also on the Indonesian economy in order to achieve *national interests*.

⁵ Ibnu Taymiyah, *Majmu' Fatawa Ibnu Taymiyah*, jilid VIII, h. 583

1.2 Problem Formulation

Based on the background that has been described, the problem formulation in this study is, "How are the implications of export restrictions on Indonesia's nickel trade?"

1.3 Research Objective

Based on the formulation of the problem above, the purpose of this study is to determine the implications of restrictions on nickel ore export trade by the Indonesian government in 2020-2023, which affect trade in the Indonesian mineral sector.

1.4 Research Benefits

1.4.1 Theoretical Benefits

The theoretical use of this research is expected to be a reference regarding the Indonesian government's efforts in developing the mineral sector, especially in the context of raw nickel ore exports. So that it can add new insights for academics and the wider community on matters related to the mineral sector and international trade.

1.4.2 Practical Benefits

In practical use, the author hopes to be able to apply the theory of international relations in accordance with the discussion of nickel ore export restrictions on trade in the mineral sector.

1.5 Literature Review

In this research, the author has collected and read previous research and journals related to the topic chosen by the author. The author uses previous research as material for consideration and comparison in accordance with the discussion of this research topic. The following are the results of previous research that will be related to the research conducted by the author.

First, research was conducted by Dicky Dwi Radhica and Raden Ambara Arya Wibisana (2023) with research titled “*Proteksionisme Nikel Indonesia dalam Perdagangan Dunia.*”⁶ The research examined the reasons why Indonesia took protectionist measures against its nickel. To answer the purpose of this study, the method used by researchers is a descriptive analysis method with a qualitative approach and protectionism theory through national policy variables and national interests, as well as by comparing world nickel demand and potential. The results show that the efforts made by the Indonesian government are to increase domestic electric battery production rather than exporting raw nickel. However, the downstream implementation in Indonesia still faces challenges such as uneven smelter construction and inadequate quality of human resources. Therefore, the policy recommendation is to focus on efforts to increase smelter construction in Indonesia. Therefore, the

⁶ Radhica, D.D., Wibisana, R.A.A., “Proteksionisme Nikel Indonesia dalam Perdagangan Dunia” *Cendekia Niaga. Journal of Trade Development and Studies*. 2023. Volume 7 Nomor 1: 74-84

Indonesian government must develop human resource skills. As for the difference in research, namely the object of research studied, this research focuses on Nickel Protectionism, while the author focuses on government protection against bans and restrictions on nickel ore exports on the decline in mineral sector in 2020-2023.

Second, research conducted by Azis Setyagama, Wawan Susilo, Purwanto, Eko Wahyono, and Muchamad Su'ud (2022) with the research title "Indonesian Government Policy Prohibits The Export of Nickel ore in The form of Raw Materials."⁷ This research says that the problem with the European Union's claim to the World Trade Organization (WTO) against Indonesia's export restrictions on nickel and other raw materials is that the restrictions unfairly limit EU producers' access to nickel ore in particular, as well as to scrap, coal and coke, iron ore and chromium. Indonesia believes that the nickel export ban policy is the most transformative goal, as it is related to value addition and resource conservation, which refers to Indonesia's long-term vision of sustainable development. Each side has equally strong arguments, but for Indonesia's argument - looking at the case example in the analysis section, it can be emphasized on national interest and the basic principle of state sovereignty. As for the difference in research, namely the object of research studied, this research focuses on policies taken by Indonesia related to mineral

⁷ Azis Setyagama and others, 'Indonesian Government Policy Prohibits the Export of Nickel Ore in the Form of Raw Materials', *Journal of Law and Sustainable Development*, 12.2 (2022), e1163 <<https://doi.org/10.55908/sdgs.v12i2.1163>>.

export restrictions, while the author focuses on restrictions on nickel ore exports on trade in the mineral sector.

Third, research conducted by Anisa Dewi Syafira, Chikal Marlina Putri, Ekawati Widyaningsih dan Putri Kusumawijaya (2023) by title “*Analisis Peluang, Tantangan, Dan Dampak Larangan Ekspor Nikel Terhadap Perdagangan Internasional di Tengah Gugatan Uni Eropa Di WTO*”.⁸ In this study, it is conveyed that in response to the increasing demand for nickel exports, the government of the Republic of Indonesia took firm steps to tighten the number of exports in order to preserve existing nickel because nickel is one of the non-renewable natural resources. The policy had an impact on the emergence of a challenge by the European Union, where Indonesia was proven wrong by the government having to revise the rules regarding the nickel ore export ban. If so, nickel ore exports will likely return to the European Union. In addition, the impact in the short term is the number of losses incurred by the government to pay compensation and sanctions. In the long term, it will be related to the potential for investment in Indonesia. The difference in research is the object of research studied. This research focuses on policies related to opportunities, challenges, and the impact of the nickel export ban. In contrast, the author focuses on community welfare and getting great opportunities to get investment from foreign countries to develop opportunities.

⁸ AD Syarifa, Putri, dkk. "Analisis Peluang, Tantangan, Dan Dampak Larangan Ekspor Nikel Terhadap Perdagangan Internasional Di Tengah Gugatan Uni Eropa Di Wto".JURNAL ECONOMINAVolume 2, Nomor 1, Januari 2023

Fourth, research was conducted by Farah Rosada, Raden Ambar Arya Wibiana, and Arie Kusuma Paksi 2023, titled "The Impact of Indonesia-China Nickel Cooperation on Indonesia's Economy and Environment."⁹ This study examines the impact of cooperation between Indonesia and China in the nickel industry on Indonesia's economic growth and environment. It aims to determine whether this cooperation benefits Indonesian society by promoting human resources, advancement, and infrastructure development, as well as providing appropriate solutions to environmental challenges through joint efforts in the nickel industry. The results show that this cooperation has a positive impact on Indonesia's economic growth, especially in terms of increased employment, human resource development, and infrastructure development. The difference in this research is that it attracts many investors from other countries. The presence of foreign investors in Indonesia will certainly open up employment opportunities for local labour and improve the welfare of the community.

Fifth, this research was conducted by Shuxian Zheng 2022, titled "Impact of Countries' Role on Trade Prices From a Nickel Chain Perspective: Based on Complex Network and Panel Regression Analysis." This study aims to help the government understand the role of countries in nickel product trade and its impact on market prices, to find out whether the trade status in a country's nickel industry chain can affect the trade price of nickel products and analyze the

⁹ Farah Rosada and others, 'The Impact of Indonesia-China Nickel Cooperations on Indonesia ' s Economy and Environmen t', 6.2 (2023), 96–116 <<https://doi.org/10.24076/nsjis.v6i2.1270>>.

pricing power of a country from a trade perspective. In addition, it provides theoretical support for policymakers to formulate trade policies and strategies. The difference in this study is that the Indonesian government itself can know the value of nickel trade opportunities from other countries. Managing raw nickel into nickel until it has a selling price.

1.6 Conceptual Framework

1.6.1 Protectionism

In international political economy, Protectionism has two basic meanings. *First*, the government to protect the domestic business industry. *Second*, a policy by which the government imposes barriers to the import of goods from abroad by means of tariff barriers, subsidies, quotas, and taxes, which are designed to prevent imports and take over the domestic market by foreign countries.¹⁰

The theory of Protectionism was first introduced by Alexander Hamilton in a report entitled "*Report of Manufactures*" in 1791.¹¹ Hamilton laid out economic principles rooted in the mercantilist system and proposed measures to encourage domestic manufacturing and economic independence

¹⁰ Krisnandiva, Radya Ayu. *Diplomasi Ekonomi Indonesia Dalam Menyikapi Proteksionisme Uni Eropa Terhadap Minyak Kelapa Sawit Indonesia Periode 2011-2018*. Dis. Universitas Pembangunan Nasional Veteran Jakarta, 2019.

¹¹ Alexander Hamilton, 'Report on Manufactures' (DigiCat, 1791).

from foreign countries.

Protectionism is a policy born out of mercantilist thinking, which has been practiced for centuries. This policy is a derivative of mercantilism, which assumes that the government implements regulations and controls on trade in an effort to achieve wealth and power.

One of the figures who expressed rejection of the free market, Friedrich List, expressed his views in his book entitled "*The National System of Political Economy*." There are three main ideas, one of which is *national interest*.¹² This idea emphasizes the importance of more effort from governments to understand the global economic system, where countries in the world use political power to achieve benefits in international trade, which is most important for the welfare of their people.

The Indonesian government implemented a strict policy with a ban on raw nickel exports. This policy creates jobs downstream, increases investment, and increases national development.¹³ The government has made downstream the main focus of increasing nickel commodities by turning raw nickel into finished materials. With downstream, the government needs smelters so that the country does not continue to be a supplier of raw nickel to foreign countries. With downstream, of course, the government can open

¹² Friedrich List, *The National System Of Political Economy*. Jerman 1909

¹³ Firdaus, S. R. (2022). Pembatasan Ekspor Nikel: Kebijakan Nasional Vs Unfairness Treatment Hukum Investasi Internasional. Lan.Go.Id. <https://lan.go.id/?p=10221>

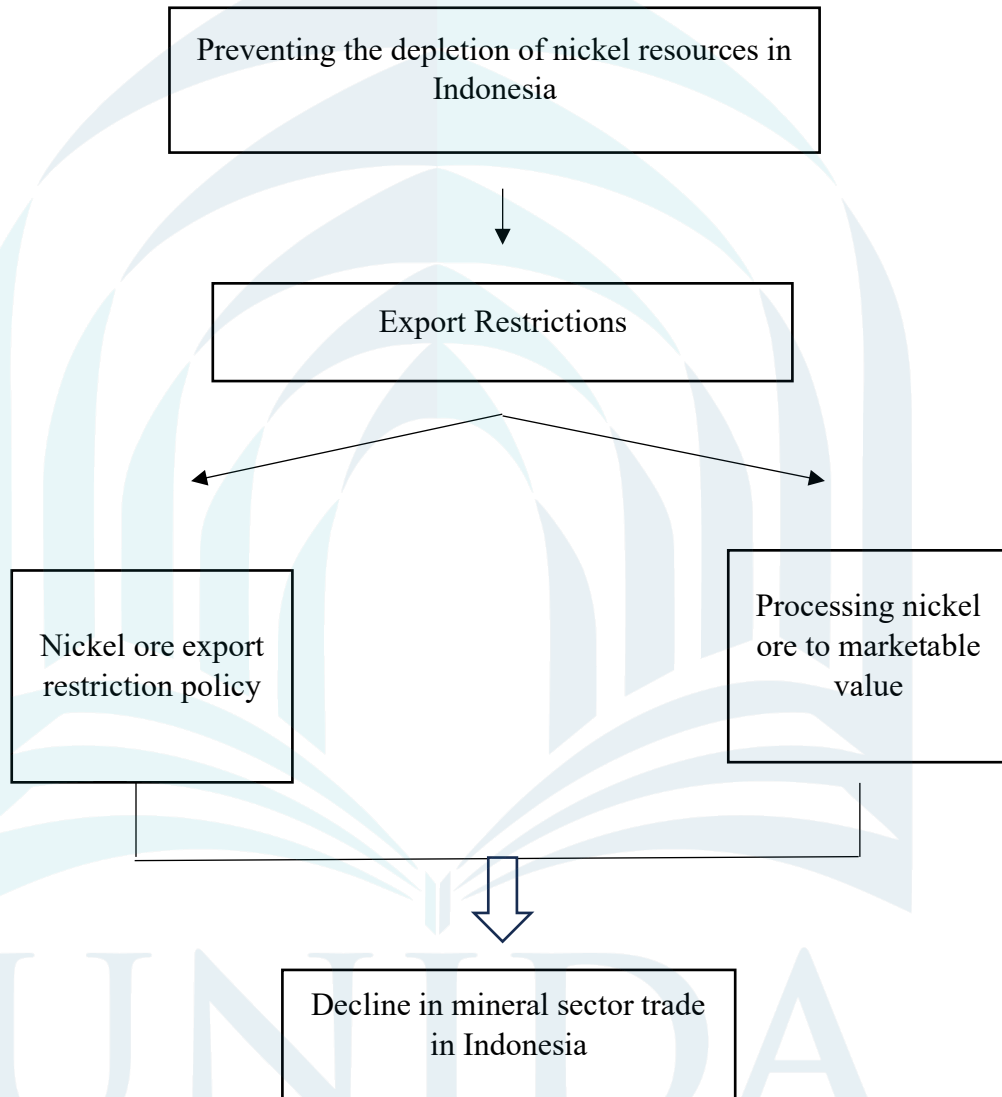
many jobs. With these restrictions, the benefits for Indonesia are it can increase economic growth and facilitate national development.

Government policy protects the country in the field of international trade with various restrictions aimed at improving the country's economy by allowing a good trade balance and protecting developing domestic industries.

In protectionism theory, the government uses various policies to protect domestic industries from foreign competition. Protectionism aims to reduce dependence on imports and support the development of local industries. The government's policy of restricting nickel exports can be explained as an attempt to protect and support domestic industries, as well as to achieve broader economic goals. One way the government can implement processing and use. a nickel export restriction policy within a protectionist framework is by limiting export quotas. The government can set nickel export quotas, which limit the amount of nickel that domestic companies can export. In this way, the government ensures that most of the nickel remains available for domestic.

In fact, countries that enforce economic protectionism policies will seek to reduce the market for production and losses for farmers and entrepreneurs, even to the point of closing global markets with other countries. However, protectionist policies have major consequences that lead to the loss of good relations between a country and other countries due to the imposition of restrictions on international trade.

1.7 Framework of thinking



1.8 Hypothesis

The existence of restrictions on nickel ore exports in Indonesia according to the theory of protectionism, which can be explained by the main principles of protectionism, namely policies carried out by the government to protect domestic industries from foreign competition. therefore the Indonesian government has implications for the decline in foreign investor interest and the decline in mineral export trade, especially in nickel ore. Policies implemented by the Indonesian government to limit nickel ore exports and encourage domestic mineral processing and are implemented to preserve the country's nickel resources, prevent depletion, and stabilize the domestic economy.

1.9 Method Analysis

1.9.1 Research Design

In this study, the research design used by the author is descriptive qualitative. descriptive qualitative research method is a research method that describes clearly about the data found. According to Monique Hennink, Inge Hutter and Ajay Bailey in their book entitled *Qualitative Research Methods* published by London, SAGE Publications, it is explained that qualitative research is a method of understanding a person's experience in depth using methods such as interviews, focus group discussions, observation, content analysis, and visual methods. In this discussions, observation, content analysis, and

visual methods. In this research, the author uses observation and data analysis methods. This research can facilitate the author in identifying issues and understanding the meaning of the interpretation given by behavior, events or objects. This research will explain the restrictions on the export of raw nickel ore in Indonesia in 2020-2023, and this research was conducted to answer the formulation of the problems that the author has listed in the previous chapter.

1.9.2 Research Object

The object of this research is the implications of nickel ore export restrictions on mineral sector trade in Indonesia in 2020-2023. The unit of analysis of this research is the restrictions given by the government in protecting raw nickel ore. The unit of explanation is the impact on trade in the mineral sector in Indonesia in 2020-2023.

1.9.3 Research Type

The data collection technique used by the author is a literature review technique related to the research topic.¹⁴ This research is useful for exploring findings by analyzing previous research to be able to see problems and get solutions to these problems. This research uses secondary data such as books, internet sites, magazines, journals, and news related to the research.

¹⁴ *ibid*

The data collection techniques that the author uses in the research are as follows: first, with literature studies. Literature study is carried out to obtain secondary data which is then studied and examines the literature so that it can be used as a theoretical basis. The second is by means of Internet Research. This method is carried out by the author as a medium for additional data. To support the previous data. the last is the Data Analysis Technique. This technique is used to understand the opinions, reasons, motivations underlying a behavior. This method is done to broaden insights and develop understanding. Data analysis technique is the most important part of qualitative research where this part is used to analyze the data that has been obtained. In qualitative research, data analysis is carried out when the researcher has obtained all the data that will be used. Data analysis means turning data into new findings, thoughts, opinions, or theories.

This technique is carried out with the aim of revealing various theories that are relevant to the problems being faced or studied as reference material in discussing the research results. Another understanding of literature study is to look for theoretical references that are relevant to the case or problem found.

1.9.4 Data Collecting Technique

This research was conducted with data reduction, data presentation, and conclusion drawing or verification.¹⁵

- 1) Data reduction researchers have carried out a process of selection, simplification, and abstraction. Thus, discarding unimportant parts reduces focus and organizes them so that they can be concluded. This reduction aims to make it easier for writers to process data in accordance with research limitations. The limitations of this research are the implications of nickel ore export restrictions on mineral sector trade in Indonesia in 2020-2023.
- 2) Data can be presented by collecting structured information that makes it possible to draw conclusions and take action. In this study, the authors present the data in the form of a collection of data obtained in previous studies.
- 3) Concluding is an attempt to find or understand the meaning of the data and draw initial conclusions or hypotheses as answers to existing problems that are temporary. However, this conclusion can change along with the strong findings found in the next stage of research.¹⁶ In this research, conclusions are

¹⁵ Miles, M.B, Huberman, A., & Saldana, J. Qualitative Data Analysis, A. Methods Sourcebook, Edition 3. USA: Sage Publications. 2014. H. 83

¹⁶ Ibid

presented after an analysis of the main issues and findings related to nickel metal ore export restrictions.

1.10 Systematical Writing

In this research, the author uses the following systematic writing:

Chapter I, Introduction

In this chapter, the background, problem formulation, research objectives, research benefits, theories, and legal issues are studied, as well as research methods that will be used in the research, including the type of research, data sources, data collection techniques, and data analysis.

Chapter II, Indonesia's Nickel Ore Export Potential to the Minerals Sector in the Global Market

This chapter will also elaborate on government protection in preserving Indonesia's mineral resources.

Chapter III, Implications of Nickel Ore Export Restrictions on Perceptions of Interest and Trade Levels in the Indonesian Minerals Sector

This section contains comprehensive answers and analysis that depart from the background, problem formulation, and research methods described in the previous chapters.

Chapter IV, Conclusion

This chapter includes conclusions, suggestions, and hopes for further research.

