

Research Article

Power And Raw Materials: Indonesia Nickel Ban Policy Toward The EU

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Received 29 December 2022; Revised 11 May 2023; Accepted 28 July 2023; Published Online 5 September 2023

Abstract

Based on the amendment to Law Number 3 of 2020, Indonesian authorities decided to launch a nickel ban policy on several countries, including the EU, at the beginning of 2021. Authorities claimed that the nickel ban policy can stimulate job creation at the domestic level, bring economic value and improve industry complexity in Indonesia. The EU assumes that nickel export restrictions implemented by Indonesia affect the vital industries in the EU, especially the stainless steel and battery industries. The EU took action to bring this case to the WTO Dispute Settlement Body (DSB). This paper analyzes how important raw materials can be utilized to achieve Indonesian national interest using a qualitative method, adding to the discussion of relations between power and interdependence in global trade, how power can apply in the dynamics of the Indonesian nickel ban policy, and bringing achievement in terms of Indonesia's national interest. The power game utilized by Indonesia is also analyzed in facing a major global economic power. Finally, this paper will examine raw materials (nickel matte) as a diplomatic power in the global market and how its policies bring instability to industries in the EU.

Keywords: Power; Raw Materials; Nickel; Diplomacy; Indonesia

Introduction

As a raw materials export provider, Indonesia plays an important role in the global market. Minerals, oil, natural gas, fossil fuel, hydrocarbons, and wood-based dominate Indonesia's export market. In 2022, Indonesia was positioned as number 28 in export, and number 64 as the most complex economy based on the Economic Complexity Index (ECI), and it is strengthening Indonesia's position in international trade. In contrast, the ambiguity of understanding resources in Indonesia is debatable. On one hand, it claims there is a limitation by authorities to manage domestic resources, or what many scholars call a resource curse; the situation where the rich resource countries are still trapped in poverty due to limitations to maximize the products derived from natural resources. Indonesia has a negative relationship between natural resources and economic output growth. One percent increase in natural resources would decrease economic growth (0.28 to 0.34 percent), which mostly happens in the mining sector such as oil and gas (Ridena et al.,2021). On the other hand, the richness of resources could be used as a national power to achieve national interest and boost cooperation through global trade. The

European Union (EU) was the biggest trade export destination for Indonesia below China and the United States, and above Japan and India by providing various goods including mineral goods (Segara, 2022).

Relations between Indonesia and the EU in terms of trade were established a long time ago. In 2016, Free Trade Agreements (FTA) were launched to boost economic activities between the two countries. Indonesia became the fifth largest trading partner for the EU and a Sustainability Impact Assessment (SIA) was built to support the FTA that later concluded in 2020 (policy.trade.ec.europa.eu, 2023). Indonesia exports various goods to the EU including rubber, palm oil, chemical products, and mining products. It was exported to different countries in the EU, such as the Netherlands, Germany, Spain, Italy, and Belgium (Segara, 2022). Moreover, the membership of Indonesia in the World Trade Organization (WTO) and the Indonesia-EU Comprehensive Economic Partnership Agreement (IEU-CEPA) took an important position. Those two major trade frameworks are expected to bring high potential to the intensity of trade and show evidence of the importance of Indonesia's position as EU's trading partner. However, the ambition of the Jokowi administration to ban nickel export and push downstream industries at the domestic level brings new challenges to trade relations between Indonesia and the EU.

Law Number 4 of 2009 on mineral and coal mining, which was later implemented in 2014, marked Indonesia's initial attempts at export restrictions on raw materials. Due to various infrastructure limitations, including smelter facilities, the policy implementation was not fully effective. After the amendment to Law Number 3 of 2020, Indonesia imposed a nickel export ban policy that was initiated on January 1st, 2021. After implementing the restriction on nickel export, the EU issued a lawsuit to the World Trade Organization (WTO) to secure its export activity. The EU claimed Indonesia's nickel ban policy would create instability in the stainless steel industry globally, and nickel ore was the vital component for stainless steel and battery manufacture (pushep.co.id, 2021). Several implications arose from EU's act. First, the EU brought the case to the Dispute Settlement Body (DSB) of the WTO and demanded Indonesia continue its nickel export. Second, Indonesia will later increase the tax ratio in nickel export activities. Third, a variety of new policies are applied relating to investments in the smelter and downstream industries, that will be further elaborated in the discussion section. The Authors question how raw materials can act as a powerful resource for Indonesia and influence big actors in global trade such as the EU. Raw materials are an important aspect of the global supply chain and affect world product sustainability. It was the backbone of economics, influencing economic growth, innovations, and competitiveness (Bleischwitz & Perincek., 2017).

This research stands on the interpretation that raw materials (nickel) export activity by developing countries, such as Indonesia, is not a "resource curse" at all. Although Indonesia has limitations to manage its raw materials, especially in mining and underperforming in financial development (Ridena, et al, 2021), they can be utilized as a source of power to influence international politics in the trade sector. The focus of this paper aims to observe the connection between power, diplomacy, and raw materials between Indonesia and the EU, especially in nickel export. This paper analyzes how Indonesia plays an important role as a raw materials provider, creates interdependence on a global level, and achieves its national interest.

Literature Review

The first literature review discusses the work of Raimund Bleischwitz and Rüya Perincek (2022) titled Raw Materials and International Relations. In this paper, Bleischwitz & Perincek discuss the role of raw materials in international relations, and debate between cooperation and conflict on raw materials issues. In their work, a number of factors are required prior to extracting and processing resources, such as infrastructure access, local community readiness, regional government capabilities, and investors. In their work, Bleischwitz & Perincek examine the geopolitics of raw materials. They provide information regarding the interconnection between raw materials and cooperation and conflict on a global level. BRICS was a suitable example to examine relations among countries and their correlation to raw

materials. The disparities in economic power between members are interesting to observe, as more powerful members such as China dominates, allowing an analysis for raw material hegemony on an international level.

The second literature that relates to this issue is by G. O. Gutman (1975) called Resources Diplomacy. In his work, economic power games are used to shape economic cooperation among countries around the globe. Although Gutman offered a few concepts on Resource Diplomacy, such as economic games, security games, and power games. Our focus in this paper is power games that are directly related to natural resources, namely economic and power games. Gutman claimed economic games have a few dominant features, namely; international market, scarcity, competition, consumer preference, and cost functions. Gutman states an interesting view regarding the economic game, where sellers expect to raise prices and buyers attempt to minimize prices. This concept discusses “buyer counter-action”, which can be understood as a strategy to reduce the price of a commodity. The concept of economic game covers commitments, credibility, threats, and promises, which also makes up the essence of the security concept. In analyzing the power game, Gutman states that each country manages its resources to maximize its global power. Gutman claims that a mixture of motivations, both economic and defense, led to the power game. In this paper, Gutman's work is used to support the focus on the economic mindset in international relations, and provides insights on how resource diplomacy is conducted, and the possibility of sellers and buyers utilizing power to achieve their interests.

The third literature relates to the condition of nickel in Indonesia prior to the policy of the nickel export ban to Europe. I Kadek Dian Setiawan and Nym Djinar Setiawina (2019) in their work titled Analysis of Competitiveness and Factors Affecting Nickel Ore in Indonesia show the conditions of Indonesia's nickel resources and exports from 1995-2014. Indonesia only receives a small sum of national wealth due to the low selling price of raw nickel ore, resulting in an oversupply. Our focus in this paper is to observe the dynamics that occurred surrounding Indonesia's nickel resources before the export ban to the EU. The research shows that from 1995-2014, exports of nickel ore in Indonesia experienced fluctuations. In 2013, Indonesia's nickel exports experienced a volume increase of 64802857.10 tons. However, in the following year, Indonesia's nickel export volume decreased. In addition, the research also shows the level of competitiveness of Indonesia's nickel exports. Setiawan and Setiawina stated that the country has competitiveness in producing certain commodities better than others. In other words, these countries produce raw materials at a lower cost compared to other countries. Therefore, the work of Setiawan and Setiawina (2019) strongly supports this paper by explaining the conditions of nickel prices in 1995-2014 which formed the factors that influenced Indonesia's nickel export ban policy.

The fourth literature comes from the writings of Edy Suryano (2022) titled Does Indonesian Nickel Have a Competitive Advantage, which states that Indonesia is one of the world's largest nickel producers targeting international markets, namely China, the US, Ukraine, and Japan. In his paper, Suryano discusses nickel trading in world markets. Nickel's demand in the world market increased as it has become an important resource with high use value, providing a huge opportunity for Indonesia to export nickel ore globally. Indonesia is a country with an open economic system because it carries out international trade activities with other countries. Suryano discusses classic trading methods in his work. Classical Trade means that countries will trade with each other for reasons of limited production factors. This is very important and useful in our research, as international trading activities are a significant factor in observing how nickel in Indonesia certainly has very high competitiveness to meet the needs of the international market. Suryano states that international trade is an important way to overcome the uneven distribution of goods or services to meet the needs of each country. Suryano also revealed that Indonesia's nickel ore commodities was able to compete in the international market, even though it was only from 2017 to 2019.

Methods

This paper will apply qualitative research. The authors will conduct a literature review from various resources, such as books, journals, conference reports, and seminars as primary resources. The secondary resources will be collected from credible websites, newspapers, and related media. A narrative description will be applied to improve the quality of the research. This research is separated into several sub-themes. To begin, this article will discuss the background of the issue, delivering a variety of reasoning and concerns regarding raw material and power. The next sub-theme will elaborate on conceptualizing power from an international relations perspective. Trade Diplomacy as the second concept of this paper would be examined deeply and explained how it is relevant to this topic. The core discussion in this article will be about Indonesia's raw material activities, Indonesia's efforts to keep its raw material for domestic uses, Indonesia's export ban policy, and raw materials as diplomatic power. The final part of this article analyzes the banning policy's effect on the global market and the conclusion, highlights, and discussions regarding the theme.

Results and Analysis

Recognizing the Actual Context of Power & International Relations

Power and International Relations

In International Relations, the context of power is mostly inherent to military capacity. It is relevant to classic realism that mentions each state's search for military power aims to increase its hegemony. Classic realism as the main concept in IR stressed the point of power as human nature, who intends to search for domination and control. According to Arendt, power implies the human ability to act in concern – potestas in populo; and in the political world, power creation needs people and groups, and is connected to prestige and authority (Thomson, 1981). In other words, Arendt calls power a collective effort to accomplish goals that cannot be accomplished alone. Furthermore, in general, the concept of power varies, including; authority, autonomy, domination, freedom, hegemony, influence, legitimation, and manipulation (Dowding, 2012). Conceptualizing the definition of power in IR enlarges to various dimensions beyond zero-sum game and control, that have a narrow focus on winners and losers.. In this article, the authors will not use the definition of traditional power and military concepts, but instead cover power as an act of resistance. Resistance is necessary to understand power relations, and acceptance of power cannot avert resistance. In many studies about power relations, resistance has different forms, and due to the limitation of power, resistance contributes to the result of power relations itself (Barbalet, 1985). The application of resistance in this paper is the nickel ban policy launched by the Indonesian authorities in facing the EU as a major power in the industry. It is relevant to Indonesia's capacity and political will to manage its own natural resources on a domestic level. Referring to Wrong's argument; the notion of controlling or acting on resistant materials is implicit in the idea of power as skill or capacity. As Weber claims; power is the chance to realize one's will 'even against the resistance of others' (Barbalet, 1985). Elements or components of power include; geography, industrial capacity, military preparedness, population, national character, national morale, quality of diplomacy, quality government, and natural resources (Diez, et.al., 2011). Diez put natural resources as an instrument of power in global politics and can utilize them to achieve national interest.

Discourses about power in IR can be observed from the various concepts of power explained by the experts above. We can claim a few concepts of power that can be suitable to the nickel ban policy as a power analysis. The first concept is power as identity. This concept was utilized to identify a country by its advantages, such as "great power", "regional power", "small power", "rising power", "sea power", and "resource-rich country" (Baldwin, 2016). Positioned on the equator, surrounded by a large water surface, and a hundred islands, Indonesia is blessed with various natural resources including minerals and gas (Statista, 2022). Second, the concept of power in IR is power as a goal and power as competition. In order to struggle for power, each state emphasizes maximizing their particular goals, whether it is security,

clean air, potable water, or economic welfare. This concept applies where the Indonesian government transformed into a rational actor in economics, concerned with gaining profit and avoiding losses. The reason for the nickel ban policy that was launched in early 2022 was to boost the downstream industry, create jobs, and increase the value of the nickel industry at the domestic and international levels (Center for Energy and Mining Law Studies, 2021).

The concept of interdependence is an integrated concept in global economic activity. The authors are able to elaborate the connection between the concepts of power and interdependence that were introduced by Keohane and Nye (1977) in their book titled *Power and Interdependence*. International interdependence was introduced after political problems in the international economy became interchanged post-World War II, where power and Interdependence are recognized as "Political realism". Rather than highlighting military-security views, this concept discusses multidimensional economic, social, and ecological interdependence (Keohane & Nye, P. 727. 1977). In this book, Keohane and Nye mentioned that asymmetrical interdependence has a similar pattern to Hirschman. Hirschman (1945) states that the concept of interdependence will benefit from an exchange, but not an equal one. If countries are involved in international trade and earn benefits, they automatically suffer losses. In other words, Hirschman tried to examine the capacity of one country to threaten trade activities that can be "an effective weapon in the struggle for power". The outcome of this notion is the ability of each country to reconstruct trade rules through tariffs and export taxes. Hirschman analyzes market power as the consequence of the elasticity of supply and demand curves, and bargaining power as the result of government evaluation from foreign trade disruption (as cited in Wagner, 1988). Terms of trade are vital in international trade negotiations, which is linked to the aforementioned market power and bargaining power of each country.

Keohane and Nye (1977) mentioned various indicators of power and interdependence covering foreign policy goals, fungibility, military force, zero-sum game, overall contribution, and soft power. Keohane and Nye discussed power and interdependence not from a military-security point of view, but from a multidimensional economic activity and how it is used as power. In foreign policy goals, Keohane & Nye defined power and interdependence in three dimensions, namely; multiplicity, which means multiple goals that include economic and environmental goals; priority, which is connected to various situations and the hierarchy of policy goals and positions; and maximization, which assumes each state will always try to maximize its power. In terms of fungibility, power resources have limited fungibility. In other words, the power scope varies from one issue area to another. Fungibility can be assumed to interchange equal values, like commodities or assets to another actor with the same values. In the zero-sum game, we can claim that each foreign policy strategy is to achieve benefit from its process, and directly or indirectly reduce benefit from the other actors. Overall contribution means an interlink between the dimensions mentioned above, which are a combination of foreign policy goals, fungibility, military force, zero-sum game, and overall contribution. Last but not least, soft power is an important part of the power and interdependence concept. Soft power is defined as the ability to get what you want through attraction rather than coercion or payment (Nye, 2004). In regards to this point, the "attractive" aspect of Indonesia's nickel ban policy might not be for the EU, but for China. From these power games, China offered \$2.7 billion to build a ferronickel smelter in Indonesia. After the nickel ban policy was launched in 2020, Indonesia expected to persuade investment from foreign companies to build smelters, such as Gunbuster Nickel Indonesia company, a unit of China's Juangsu Delong investing, in smelter facilitation in some locations in Indonesia (Mining-technology.com, 2021).

Resource Diplomacy

The second concept related to this work is resource diplomacy. Gutman (1975) illustrated Resources Diplomacy deeply through the concept of Economic Games, Power Games, and Security Games. Three parts of this game shaped the definition of resource diplomacy. Gutman places the concept of power games as part of resource diplomacy, focusing on the aspect of achieving interests using power. Power games define situations when sellers refuse to sell their goods, unless the buyer can fulfill certain

demands unrelated to the trade agreement under consideration (Gutman, 1977, P. 47). Gutman gives an excellent case study regarding market interaction between two countries, and how they use power to win the "war". Resource diplomacy is any diplomatic activity designed to increase a country's access to resources and energy security (Dahlez & Pheakdey, 2017). Resources diplomacy is either the use of economic power for political purposes or vice versa. Gutman explained that resource diplomacy can be interpreted by the three games above used alternately depending on the situation.

In the past, resource diplomacy was backed up by military support through securing resource access, routes, and territory (Gutman, 1977, P. 47). As an example, we can see this during Japan's occupation of Indonesia. Japan colonized Indonesia to secure raw materials and access to natural resources by using military force (Indonesia-The Japanese Occupation, 1942-45, n.d.). After the World War 2, the military approach was replaced by diplomatic measures supported by economic power. The projection of resource diplomacy always changes at the same time as the evolution of the structure of the international system. The political strain among interrelationships, the international resources problem, diplomatic challenges, and international economic problems, such as trade and investment in resources, will bring a clash of interest among actors and will be a new challenge for resource diplomacy in the future. The resource factor is very important in relations between countries, (Minister of Foreign Affairs of Japan, 1973) because it can bring vulnerable interdependence or even interdependence. If natural resources are depleted, it can affect economic deficit, increase poverty, and bring instability to the global supply chain. Natural resources can form ecosystems between humans and industries, bring prosperity, and secure market performance on the global level (Msuya, 2021). Therefore, Indonesia carries out its resource diplomacy through the nickel downstream industry by developing smelter facilities in several locations in Indonesia, adding value to nickel and concern to domestic industry priority to increase national income through the nickel industry. We can see the pattern of economic games, power games, and the dynamics of bargaining power related to resource diplomacy in the discussion section.

Discussion

Indonesia- EU Trade Relations

Laying on the equator, Indonesia is considered as a resource-rich power state. The natural resources that exist in Indonesia covers not only mined-based raw materials, but also tree-based materials such as palm oil, wood, and fruits. Indonesia established trade activity with the EU in many types of goods that increased each year. The momentum of cooperation between the EU and Indonesia was in 2014, and reached the highest value of €24 Billion in 2019 (ariseplus-indonesia.org, 2022). Indonesia's existing mineral resources are profitable for both actors. It was noted that the profit from the growth of the cooperation between Indonesia and the EU reached 3.5% in 2017. Apart from nickel, Indonesia also has abundant natural raw materials such as tin. Indonesia's tin reserves reached 328,393 tons. In addition, platinum resources in Indonesia are also targeted by the European Union for use as industrial raw materials for car emission equipment, so it's no wonder that in 2019 the profits generated by Indonesia-EU relations reached billions (Vanessa, 2018). Indonesia's trade activities with the EU have advantages, due to the suitable area for selling commodities with the highest demand in its market. The complexities of the European industry's access to raw material are vital to secure the production chain, and Indonesia was an important partner to put the supply chain on its tracks. Indonesia is the fifth largest trading partner for the EU, with the number of exports reaching €20.6 billion in 2020, with EU exports worth €7.2 billion and imports worth €13.3 billion. In terms of the international cooperation framework, both actors established an Agreement on Comprehensive Partnership and Cooperation across various spectrums such as policy, human rights, political dialogue, and trade. In free trade agreements (FTA), Indonesia and the EU collaborated to manage many issues in trade and investments, such as non-tariff barriers, services, investment, trade aspects of public procurements, competition rules, intellectual property rights, and sustainable development (policy.trade.ec.europa.eu, 2020). Providing raw materials to the EU

industry was one of the agreements in FTA, that included nickel as one of the commodities. In the global market, nickel is one of the components for the manufacturing of lithium batteries, which is a necessary component for electric vehicles. Furthermore, nickel is important to the EU steel industry and affects many dimensions of economic growth, such as cars, wire, gas turbines, and even rocket engines. After the policy ban from the Jokowi administration, the European stainless steel industry was under pressure and threatened the domestic economy (Keating, 2019).

With a total of 23,7% of nickel resources globally, Indonesia prioritizes economic and downstream natural resources industries transformation, including developing the electric car industry. According to the Ministry of Investment Coordinating Board (BKPM), the nickel export ban policy was initiated at the end of 2019, at the same time that Indonesia planned to establish electric vehicle batteries. Currently, six investors are involved, including LG Energy Solution from South Korea with the world's first integrated electric vehicle battery investment cooperation worth US\$ 9.8 billion or 142 Trillion Rupiah; CATL from China investing in electric vehicle batteries amounting to US\$ 5.2 billion; Britishvolt from the UK amounting to US\$ 2 billion; Foxconn from Taiwan amounting to US\$ 8 billion; and BASF and VW from Germany. Apart from nickel, Indonesia also receives coal investment from Air Products amounting to US\$ 15 billion. The results of this downstream investment are expected to reduce import demands and manage nickel at the domestic level. The first downstream investment and a smelter will be built in North Maluku, which is located close to the main raw materials resources (Sandria, 2022).

Based on the concept of power and interdependence discussed in the previous section, we can see that foreign policy goals and the fungibility of policy are applied in this strategy. Indonesia's authorities claimed that the downstream industry needs to be prioritized to stimulate the domestic economy and job creation. The fungibility of this strategy is dominant in the economic aspect that aims to bring prosperity to the Indonesian people. Indonesia successfully interchanges the nickel export activity values to the EU into the billion investments from different countries. At this point, Indonesia has a chance to open a new industry in the downstream activity, such as the battery manufacturing industry, smelter infrastructures, or even stainless steel production factories. The strategy aims to create job opportunities and income improvement for Indonesia's finances, maximize national interests, and stimulate economic growth through value-added on nickel materials. We can see clearly how Indonesia uses the power and interdependence concept in terms of fungibility for its domestic benefits. Although it seems like an equivalent trade, the authors assume that Indonesia gains more benefit from this strategy and boosts its market power by utilizing nickel demand in the global market, especially to the EU.

Instability of the Supply Chain & its Impact on the EU Stainless Steel Industry

To stabilize the raw material supply chain, the EU established a lot of policies, the first example is actively pursuing raw materials diplomacy by launching various policy packages such as the Critical Raw Materials (CRMs) initiative, raw materials supply group, and action plans regarding secure raw materials import activities in the EU members (Ragonnaud, 2023). Second, the EU combats market-distorting policies that limit raw materials export activity (Amuah, 2019). Through these two pillars, the EU tries to secure its critical raw materials industry. However, after the Indonesian nickel ban policy, the European stainless steel industry faced several difficulties. Nickel was an important resource to support the European industry and economy, which is why nickel procurement is crucial. The EU demanded Indonesia to continue exporting nickel to the European market to support its steel industry. The EU claimed nickel was an important material due to the number of employees that work in its sector (gapki.id, 2022). This issue not only threatens the EU members as a whole, but also each member state. According to Petre Sigmund, the Director General for Asia and the Pacific, Germany, Indonesia's nickel ban policy will directly affect Germany's economy, because nickel was a core of the German industrial pillar (Septiari, 2019).

Nickel earned the nickname "the mother of industry", which is defined as the backbone of the industry and one of the critical materials to maintain the production that is much needed in the European industrial market. How nickel is supplied is heavily influenced by mining company decisions (Nieto et al., 2013). Exports play a role in increasing state revenues to stabilize and encourage domestic economic growth. In contrast, economic cooperation between both actors is very strong. Europe is one of the most progressive industrial regions which uses materials such as nickel and tin for its industry. The EU has consistently been Indonesia's largest export destination and continues to be a major source of foreign investment in Indonesia. There is a national need to develop its economy, therefore the two countries complement each other by establishing bilateral cooperative relations (Damuri, 2014). The nickel ban policy from Indonesia to Europe has caused tensions between Indonesia and the EU. Due to the cessation of nickel shipments, the EU must find ways to minimize nickel use. Moreover, the EU is experiencing a slump related to the decline in its steel industry sector. The EU is worried because China is more interested in the free market related to cheaper steel sales. This phenomenon caused a dilemma in the EU. On one side, Indonesia's ban on nickel export to the EU will threaten European domestic industries. On the other side, the EU should keep Indonesia selling high-quality nickel and try to avoid low grades because it will impact the value and also the prices of steel (Putri, 2022).

The dynamics of international trade are one reason why nickel disputes appeared between the two actors. Consumption of manufactured goods, especially electrical power products, is expected to increase significantly in the near future and begin to run in developing and developed countries where the technology is adequate enough to advance. The progress of the development of the electricity resource industry produced by nickel then leads to a situation that can affect the exploitation of the mineral (Ahamat, 2022). Nickel serves as the main component of electric batteries. The EU is currently in the process of replacing the production of cars that run on fuel and electricity. However, due to the ban on nickel export to Europe, the production of electric cars has been hampered (Siahaan et al., 2021). According to the US Geological Statistics Survey (USGS) in 2020, it is stated that Indonesia is the country with the largest nickel reserves in the world. Furthermore, the report from the Directorate General of Coal and Minerals in 2011-2016 under the Ministry of Energy and Mineral Resources stated that the mineral resources in Indonesia could meet the national mineral reserves for more than a century. However, the reason why Indonesia implemented this export ban was based on Indonesia's desire to manage nickel into valuable materials rather than just exporting them raw (Ahamat, 2022). The existence of a global supercycle phenomenon affected the price of raw materials, thus their prices, including nickel, has been increasing over the last 4 years. Statistical data noted that the price of nickel ore experienced an increase from the previous selling price of US\$ 10,410/Metric Ton in 2017 to US\$ 13,114/Metric Ton in 2018 (Ahamat, 2022).

Therefore, on November 22, 2019, due to barriers to nickel exports from Indonesia, the EU requested consultations with Indonesia, discussing nickel raw materials for stainless steel production and related schemes depending on the use of domestic goods. The consultation included the following actions: (a) The EU wanted nickel exports to be exempt, including a ban on nickel-related exports to Europe, (b) There is a need to manage related raw materials such as nickel, tin, iron ore, chrome, and coal, (c) Domestic marketing permits related to nickel and coal product obligations, (d) most importantly license related to nickel exports is required in Europe. Reflected on the concept of power in the dimension of foreign policy goals, Indonesia maximizes its potentials to achieve national interest through the nickel ban policy, and if we analyze the power as an influence, Indonesia's nickel ban policy is effective in constructing instabilities in European industries, especially in the steel industry and force the actors to recreate new policies as the result of nickel ban policy.

Raw Material as Indonesia's Diplomatic Power

In the IR perspective, raw materials cause cooperation and conflict. It is related to Hirschman's argument: when two countries agree to cooperate through international trade, they will gain a benefit

and at the same time both countries will face losses. Each country has the option to use its resource of power to force another country to follow its goals. As a result, a country can secure its position in global trade. As we have already seen, the dimension of raw materials covering international political economy, geopolitics, and global politics create a multidimensional view of power relations (Bleischwitz & Perincek, 2022). Based on the concept of diplomacy, countries should build acceptable relations by abolishing irritants and creating mutual understanding. However, diplomacy also transforms into a threat of force, like the semi-Hobbies universe from contemporary international relations point of view (Fendrick, 2022). After the nickel ban policy that was launched by Indonesia, the EU responded by taking legal action against Indonesia through the WTO dispute settlement body (DSB), dragging EU-Indonesia relations in trade to the crisis. Borrowing Fendrick's (2022) words in his work titled *Diplomacy as an Instrument of National Power*, Indonesia used this crisis to arrange new cooperation to fulfill their interest. For instance, after the nickel ban policy, China offered Indonesia to establish nickel smelters in a few locations, such as north Morowali, Central Sulawesi with a value of \$ 2.7 billion, and estimated to produce 13 million tonnes of nickel annually (mining-technology.com, 2021). Although China had the plan to build a smelter in Indonesia a long time ago, this policy was finalized after the trade relations crises between Indonesia-the EU appeared.

The policy of banning the export of nickel ore has had a positive impact on the cooperation between Indonesia and China. The positive impact is in the form of increased Chinese investment in Indonesia, especially in the metal processing industry, and the creation of smelters to process existing nickel ore into ferronickel or nickel pig iron. Not only that, managing other derivative products such as stainless steel adds significantly to the export value of products from Indonesia. This is evidenced by a statement from the Governor of the People's Bank of China (PBoC) Yi Gang in February 2022, China will establish cooperation with several countries in Asia including Indonesia. This cooperation is emphasized to increase the use of local currency in trade and investment. It is estimated that there are plans for the arrival of 500 Chinese foreign workers to carry out the construction of a smelter in the Morosi Industrial Area, Konawe, Southeast Sulawesi (Marta, 2022). Although that strategy is to secure China's national interest, Indonesia can utilize these opportunities to build smelter infrastructure in some locations. From this example, we can see that diplomacy is used progressively. In other words, Indonesia's strategy and diplomacy to get protection, achieve goals and fulfill national interests seem possible to gain. The strengthening of cooperation between Indonesia and China through the construction of smelters shows that diplomacy carried out by Indonesia can become a force supported by the assistance provided by China. As a resource-rich emerging country, Indonesia has a bargaining position to start new contracts in nickel export activity. Indonesia wants to transform its industry and focus on the downstream strategy. Indonesia is optimistic to increase job opportunities and cut unemployment at the domestic level. Power games as a part of resource diplomacy used in this paper were applied. Indonesia, through its nickel ban policy, showed an interesting diplomatic strategy on this issue. Indonesia is holding nickel exports and waiting for smelter facilities to be completed. Although the authorities knew Indonesia would lose in the WTO DSB, the ongoing policy ban on the export of raw goods, including nickel, is a form of Indonesia's effort to protect Indonesia's natural resources in the long term. The government is currently preparing policies to accelerate commodity downstream, and the Indonesian government will impose a nickel export tax. President Joko Widodo also stated that the downstream succeeded in increasing export tax revenue to Rp. 300 trillion in 2021 (Hariani, 2022). This policy aims as a strategy to increase the price of nickel ore.

In the concept of bargaining power, Hirschman states that it is possible for a country to reconstruct trade rules through tariff changes or taxes. Indonesia began exercising its bargaining power after the nickel ban policy to the EU and its implications to the tax revenue. Indonesia can raise its profit and directly stimulate national income through natural resource exports. It is also a good example of the concept of power as a capability. Power is the capacity to direct the decisions and actions of others. It derives from strength and will. Strength comes from the transformation of resources into capabilities. Last but not

least, in terms of relations between power and resistance that are mentioned at the beginning of this article, Indonesia restricted its nickel export to the EU, one of the major world powers, showing an example of theoretical application in resistance. The EU is a major power and Indonesia is a middle power. The gap between the two countries in terms of power, requires Indonesia to plan the finest maneuver to manage its resources independently. Based on this concept, if a great power appears, resistance follows. Indonesia is on its way to actualizing its capability to add value to its natural resources. Downstreaming is one of Indonesia's policies to increase the economy quickly, and we can claim that Indonesia successfully utilizes the concept of power and correlation to the power game, resistance, capacity, and influence, and show us that the resource of power can come from everywhere.

Conclusion

This article attempted to analyze the link between "resource course" with limitations to managing raw materials (nickel) and power from developing countries like Indonesia. As a resource-rich country, Indonesia was a raw materials exporter for a long time and still has issues in facilitation and infrastructure. Through Law Number 4 of 2009 and the Amendment to Law Number 3 of 2020, Indonesia fully applied the nickel ban export policy to various countries including the EU in 2021. Downstream industry and value-added in the nickel industry was the main goal of Indonesia's authority in the global market. Due to a lack of infrastructure, Indonesia plays an important diplomacy strategy. It is shown how Indonesia responds to the EU's objections when the EU took to the WTO dispute settlement body to challenge Indonesia's nickel export restriction. At the same time, Indonesia created a few strategies, namely raising the tax and boosting smelter development.

Nickel remains as the main component of the steel industry. Demand for nickel in Europe rose each year due to the complexity of the industry, especially in electric cars and batteries (Ragonnaud, 2023). Export restrictions bring instability to the European market and threaten economic and national income to the European countries that have trade relations with Indonesia. In this paper, the authors claimed that nickel is a power resource, observed its increased interdependence in the global market, and requested concessions in terms of trade policy toward the EU. As a powerful resource, nickel made it possible to influence policy, and be utilized to achieve national interest. Finally, although the "resource course" is sometimes understood as a limitation of a country to manage its resources to just provide raw materials in the global market, it also contains power. The exploitation of nickel could be used to reach national interest, and Indonesia proved that it is possible to do.

Acknowledgments

The authors did not receive financial support from any other entities for this research.

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