



**THE NICKEL DOWNSTREAM POLICIES OF INDONESIA
AND ECONOMIC DIPLOMACY TO CHINA**

UNDERGRADUATE THESIS

Submitted As One of The Requirements to Obtain

Sarjana Sosial

By

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Cikarang

May 2023

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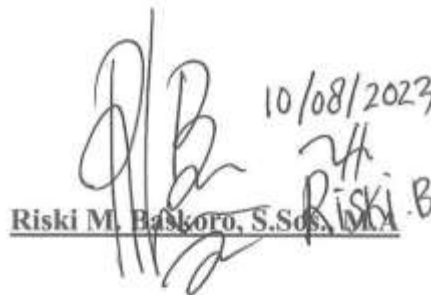
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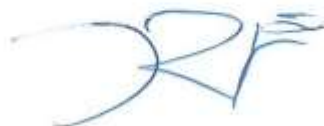
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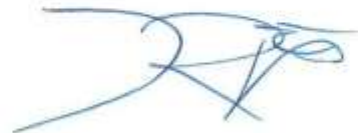
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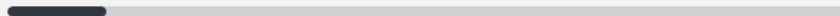
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Chair - Panel of Examiner Muhammad Farid, S.S., M.PA Examiner II Rizki M. Baskoro, S.Sos., M.A Thesis Adviser Anggara Rahayun, S.I.P., M.P.S | THESIS ADVISER RECOMMENDATION LETTER This Thesis entitled "The Nickel Downstream Policies of Indonesia and Economic Diplomacy to

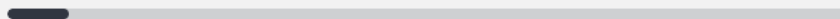
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ABSTRACT

Priscilla Rosalia Fahik

International Relations 2020, President University

Thesis Title: The Nickel Downstream Policies of Indonesia and Economic Diplomacy to China

Thesis Advisor: Anggara Raharyo, S.I.P., M.P.S

As a developing country with abundant mineral wealth, Indonesia is pushing for a nickel downstream industry policy as a strategic policy to boost the national economy. To encourage the downstream of the nickel industry, the government controls exports of raw materials or nickel ore and encourages the construction of smelters or nickel processing industries. This research focuses on the implementation of nickel downstream policies to produce high-added-value products and their impact on Indonesia's economic diplomacy toward China. This study aims to determine the implementation of downstream nickel industry policies and their implications for Indonesia's economic diplomacy towards China in the investment and trade sectors. This study uses qualitative methods and focuses on the theory of economic diplomacy according to Kishan S. Rana, which is described in 4 phases: Economic Salesmanship, Economic Networking, Image Building/Nation Branding, and Management Regulation & Resources. In this study, it was found that in the implementation of the Nickel Industry Downstream Policy which was marked by the enactment of the Mineral and Coal Law No. 4 of 2009 in 2014 and its changes in Law No. 3 of 2020 which has been in force since 2020, has had an impact on Indonesia's Economic Diplomacy towards China, where this can be seen from: 1. In every business forum and promotional investment conducted with China, Indonesia is no longer focused on investing in the mining sector but is more focused on investing in smelter construction to produce processed nickel products that have a higher added value, 2. Indonesia no longer relies on exports of nickel ore to add to the country's economy but exports of products with high added value added (Ferronickel, Nickel Pig Iron, Nickel Matte) which is characterized by a ban on exports of raw materials since 2014 and continued in 2020, 3. The Nickel Downstream policy has caused a shift in government priorities which previously only prioritized the nickel industry for stainless steel products and then began to focus on developing the EV battery industry to make Indonesia a global supply chain of EV batteries, 4. The increasing strategy of Indonesia's Economic Diplomacy towards China through various kinds of investment & trade promotions and the increasing number of multi-actor roles through special cluster units formed.

Keywords: Nickel Downstream, Economic Diplomacy, Indonesia-China Economic Cooperation, Smelter, China Investment, Indonesia Export

ABSTRAK

Sebagai negara berkembang dengan kekayaan mineral melimpah, Indonesia mendorong kebijakan hilirisasi industri nikel sebagai kebijakan strategis untuk mendorong perekonomian nasional. Untuk mendorong hilirisasi industri nikel, pemerintah mengendalikan ekspor barang mentah dan mendorong pembangunan smelter atau industri pengolahan nikel. Penelitian ini berfokus pada implementasi kebijakan hilirisasi nikel untuk menghasilkan produk bernilai tambah tinggi dan dampaknya terhadap diplomasi ekonomi Indonesia terhadap China. Penelitian ini bertujuan untuk mengetahui implementasi kebijakan hilirisasi industri nikel dan implikasinya terhadap diplomasi ekonomi Indonesia terhadap China di sektor investasi dan perdagangan. Penelitian ini menggunakan metode kualitatif dan berfokus pada teori Diplomasi Ekonomi menurut Kishan S. Rana, yang dijabarkan dalam 4 fase: Economic Salesmanship, Economic Networking, Image Building/Nation Branding, dan Management Regulation & resources. Dalam penelitian ini ditemukan bahwa dalam implementasi kebijakan hilirisasi Industri Nikel yang ditandai dengan pemberlakuan Undang-undang Mineral dan Batu Bara No. 4 Tahun 2009 pada tahun 2014 dan perubahannya dalam Undang-undang No. 3 Tahun 2020 yang diberlakukan sejak tahun 2020, ternyata memberikan pengaruh dalam Diplomasi Ekonomi Indonesia terhadap China, di mana hal ini dapat dilihat dari: 1. Dalam setiap forum bisnis dan investasi promosi yang dilakukan dengan China, Indonesia tidak lagi berfokus pada investasi dalam sektor pertambangan tetapi lebih berfokus pada investasi pembangunan smelter dan industri pengolah nikel untuk menghasilkan produk olahan nikel yang memiliki nilai tambah lebih tinggi, 2. Indonesia tidak lagi mengandalkan ekspor bijih nikel untuk menambah perekonomian negara tetapi ekspor produk bernilai tambah tinggi (ferronikel, nikel pig iron, nickel matte) yang ditandai dengan pelarangan ekspor barang mentah, 3. Hilirisasi nikel menyebabkan adanya pergeseran prioritas pemerintah yang sebelumnya hanya memprioritaskan industri nikel untuk produk stainless steel kemudian mulai berfokus pada pengembangan Industri EV baterai untuk menjadikan Indonesia sebagai global supply chain of EV baterai 4. Semakin meningkatnya strategi Diplomasi Ekonomi Indonesia terhadap China lewat berbagai macam promosi investasi & perdagangan serta semakin banyak peran multi aktor melalui satuan gugus khusus yang dibentuk oleh pemerintah.

Keywords: Hilirisasi Nikel, Diplomasi Ekonomi, Kerja Sama Ekonomi Indonesia-China, Smelter, Investasi China, Ekspor Indonesia

ACKNOWLEDGEMENT

Praise and gratitude I offer the Presence of God Almighty for all the blessings so that I can finish writing this thesis well. This thesis was written as one of the requirements to run the Undergraduate Program in International Relations at the Faculty of Humanities President University. The research entitled " The Nickel Downstream Policies of Indonesia and Economic Diplomacy to China " was carried out for approximately 4 months with a long process that has been passed until it finally reaches the finalization stage.

This study was made because of my interest in further examining the strategic policies implemented by the current government to support Indonesia's national economy, namely by encouraging policies on the downstream nickel industry. I examine more deeply how the nickel downstream policies then influence the Indonesian government's diplomacy model in increasing economic cooperation with China as one of the largest investors in the nickel processing industry. I also want to look further at how the downstream nickel industry influences investment development and exports of Indonesian nickel-processed products to China.

During the preparation of this research, I experienced many obstacles, but thanks to the help, guidance, and cooperation of various parties, I was able to complete this research well. So with humility and respect, the author would like to thank:

1. President University, my beloved alamamater, for about 3.5 years has become an educational institution that has shaped my personality both academically and in character with all the dynamics of activities and learning processes in it
2. All family members; Father, mother, and two younger sisters (Gracia & Clarissa) who always provide prayer and support in all matters during my research.

3. Sir Anggara Raharyo, S.I.P., M.P.S, my supervisor who is always loyal and willing to provide input and suggestions at any time which helped me in completing this research process properly. His suggestions not only influenced my thesis writing process but also my way of thinking and analytical skills which are very important for my future career.
4. At the same time the Chancellor, Dean, Head of the Study Program, and the lecturers of International Relations have provided teaching and opportunity for me to learn as much as possible about the discipline of International Relations for half three years.
5. All my friends who in their way morally and materially have supported me in carrying out this research process until it was completed in approximately 4 months.

Finally, I realize that this thesis still has many shortcomings, therefore, I will be grateful to receive constructive criticism and suggestions for perfection. Hopefully, my thesis can be useful for readers and in particular add insight to knowledge for all academics in International Relations and complement previous research studies related to this topic.

TABLE OF CONTENTS

PANEL OF EXAMINERS' APPROVAL SHEET	i
THESIS ADVISER RECOMMENDATION LETTER	ii
STATEMENT OF ORIGINALITY	iii
SCIENTIFIC PUBLICATION APPROVAL FOR ACADEMIC INTEREST	iv
ADVISOR APPROVAL FOR PUBLICATION	v
TURNITIN SIMILARITY CHECK.....	vi
GPTZERO SCORE CHECK.....	vii
ABSTRACT.....	viii
ACKNOWLEDGEMENT.....	x
TABLE OF CONTENTS	xii
CHAPTER I INTRODUCTION	1
1.1 Background of the Study	1
1.2 Literature Review	3
1.3 Problem Identification	6
1.4 Research Question	9
1.5 Research Objective and Significance	9
1.6 Theoretical Framework.....	9
1.7 Research Methodology	12
1.8 Scope and Limitation of the Study	13
1.9 Research/Thesis Structure	14
CHAPTER II IMPLEMENTATION OF THE NICKEL DOWNSTREAM POLICY AND INDONESIA-CHINA ECONOMIC COOPERATION.....	15
2.1 Implementation of Nickel Downstream Industry in Indonesia.....	15

2.2 Development of Economic Cooperation between Indonesia and China ..	25
CHAPTER III ANALYSIS OF THE IMPLICATIONS OF IMPLEMENTING THE NICKEL INDUSTRY DOWNSTREAM ON THE INDONESIA-CHINA ECONOMIC DIPLOMACY	32
3.1 Development of the Nickel Downstream Industry in Indonesia	32
3.1.1 Downstream Nickel Industry in Indonesia and Its Prospect	32
3.1.2 Indonesia's Interests in the Downstream Nickel Industry	34
3.2 Indonesia's Economy Diplomacy Towards China	36
3.2.1 Indonesia's Investment Promotion Toward China Before The Implementation of Nickel Downstream Policy	36
3.2.2 Indonesia's Investment Promotion Toward China after The Implementation of Nickel Downstream Policy	38
3.2.3 Development of Chinese Smelter Construction Investment in Indonesia	45
3.2.4 The Impact of Indonesia's Economic Diplomacy Toward Indonesia Export of Nickel	50
3.3 The Implementation of Before-After Nickel Downstream Policy in Economic Diplomacy Framework	51
CHAPTER IV CONCLUSION	54
BIBLIOGRAPHY	57