



Examining Indonesia's Nickel Downstream Policy Through Securitisation Theory

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Abstract

This study explores Indonesia's nickel downstream policy through the lens of securitisation theory, positing that the initiative is a reaction to perceived threats related to economic, regime, and geopolitical security. With the world's largest nickel reserves, Indonesia has enacted various policies to promote the domestic processing of nickel, aiming to bolster economic growth and safeguard national interests. While the policy has generated substantial economic advantages, it has also drawn criticisms concerning the country's alignment with international trade agreements and its environmental repercussions. The research investigates how nickel is framed as a security issue, emphasizing the connections between domestic political dynamics, resource nationalism, and the government's strategies to maintain control over natural resources. The findings indicate that Indonesia's nickel industrialization strategy is marked by executive unilateralism rather than extraordinary actions, positioning the nickel sector as a crucial component in the nation's pursuit of economic sovereignty.

Keywords: *Nickel Downstream, Securitisation, Indonesia.*

Abstrak

Studi ini mengeksplorasi kebijakan hilirisasi nikel Indonesia melalui lensa teori sekuritisasi, dengan proposisi bahwa inisiatif tersebut merupakan reaksi terhadap ancaman yang dirasakan terkait dengan keamanan ekonomi, rezim, dan geopolitik. Dengan cadangan nikel terbesar di dunia, Indonesia telah memberlakukan berbagai kebijakan untuk mempromosikan pengolahan nikel dalam negeri, yang bertujuan untuk meningkatkan pertumbuhan ekonomi dan menjaga kepentingan nasional. Sementara kebijakan tersebut telah menghasilkan keuntungan ekonomi yang substansial, kebijakan tersebut juga menuai kritik mengenai posisi Indonesia dalam keselarasan dengan perjanjian perdagangan internasional dan dampak lingkungannya. Penelitian ini menyelidiki bagaimana nikel dibingkai sebagai masalah keamanan, menekankan hubungan antara dinamika politik domestik, nasionalisme sumber daya, dan strategi pemerintah untuk mempertahankan kendali atas sumber daya alam. Artikel ini menunjukkan bahwa strategi sekuritisasi nikel Indonesia melalui hilirisasi ditandai dengan unilateralisme eksekutif daripada tindakan luar biasa, memposisikan sektor nikel sebagai komponen penting dalam pengejaran kedaulatan ekonomi bangsa.

Kata Kunci: *Nikel, Hilirisasi, Indonesia*





Introduction

Indonesia is rich in natural resources, possessing the world's largest nickel reserves accounted for 42% global nickel reserves and 51% of global mine production (US Geological Survey, 2024, pp. 124–125). Nickel is categorised as one of the world's critical minerals along with copper, lithium, nickel, cobalt and rare earth elements that are essential components in many of today's rapidly growing clean energy technologies due to its use in electric vehicle (EV) batteries and other technologies.

Indonesia has garnered significant international attention due to the government's adoption of various nationalistic policies within the mining sector, notably export bans and the divestment of foreign ownership in major mining companies. A prominent illustration of this nationalisation effort is the nickel downstream policy, which aims to foster domestic processing of nickel resources. This policy focuses on converting raw nickel ore into higher-value products, such as stainless steel and battery materials, rather than exporting unprocessed ore. As a central element of the Jokowi administration's economic strategy, the nickel downstream policy not only seeks to stimulate economic growth but also positions Indonesia as a formidable contender in the rapidly evolving battery and electric vehicle industries.

This shift began with the Mineral and Coal Mining Law no. 4/2009, which mandated domestic processing of all mined minerals, and was fully enforced for nickel and bauxite in 2014 amid widespread opposition from the mining sector. In 2017, Indonesia lifted its nickel export ban but reinstated on 1 January 2020, which effectively banning all nickel ores and concentrates export.

Before barring nickel ore export in 2014, Indonesia largely exported raw nickel ore which values around US\$6 billion in 2013 (Abdurrachman, 2023). Following the downstream policy, which boosted the exports of value-added products such as stainless steel and battery materials, this figure had skyrocketed 745% from around US\$4 billion in 2017 to US\$33.81 billion in 2023 (Indonesia.go.id, 2023; The Economist, 2023). Moreover, the Ministry of Investment/BKPM noted that the realization of investment in the downstream sector in January-June (semester I) 2024 reached IDR 181.4 trillion. This figure





increased by 21.9 percent on an annual basis (year on year), with details of investment in the nickel sector of IDR 80.9 trillion (Antaranews.com, 2024). A report of the Institute for Energy Economics and Financial Analysis, October 2024 pointed out that nickel accounts for 2.6% of Indonesia's total export value in 2023 (Peh, 2024, p. 8).

While the economic benefits of downstream are evident, this policy, however, has received various criticisms. The European Union filed a complaint at the World Trade Organization (WTO) in 2019. In November 2022, the WTO ruled in favour of the EU, finding that Indonesia's policy violated international trade agreements and disadvantaged EU steel producers (Commission, 2022). In November 2022, Indonesia appealed to the WTO, hence this issue is still a dispute between Indonesia and the European Union. The IMF also criticized Indonesia's nickel downstream policy, which mostly based on cost-benefit analysis but less consideration on the impacts of mineral export bans on international trade (IMF, 2023).

Negative sentiments have also been arising related to the issue of environmental degradation. The rapid expansion of the nickel sector has been associated with deforestation, water pollution, and significant greenhouse gas emissions due to the reliance on coal-fired power plants for smelting operations (Abdurrachman, 2023; Climate Rights International, 2024b). Reports highlight human rights abuses, including displacement of local communities and violations of labour rights within the nickel mining sector (Climate Rights International, 2024a). Various mass media in Indonesia and foreign media reported that the nickel industrial complex of PT Indonesia Weda Bay Industrial Park (IWIP) in Halmahera, North Maluku, has violated human rights, caused deforestation, and even air and water pollution (Arandito, 2024). This environmental degradation occurs because Indonesia's nickel processing industry is very carbon-intensive caused by its dependence on coal in its processing (Castillo et al., 2022).

Other issue that also raises concerns is the equitable distribution of economic gains. The capital-intensive nature of the nickel sector often results in high foreign equity participation. There has been argument that most profits generated from nickel processing are repatriated by foreign investors, limiting the benefits to local communities and the





national economy (Climate Rights International, 2024b). Furthermore, the reliance on foreign investment can create vulnerabilities in Indonesia's economic sovereignty, as Faisal Basri, a renowned Indonesian economist stated, “90 percent [of the profits] flow to China,” while Indonesia only gets less than 10 percent, hence instead of boosting Indonesia's Industrialisation, downstream nickel policy supports China's economy (Tempo.co, 2023).

The problem of environmental degradation also has arguably hindered the flow of investment, especially in the battery and electric car industry sectors to Indonesia. For example, there was a pressure from a coalition of international environmental organizations by sending email to Elon Musk on 25 July 2022, expressing concerns about deforestation, water pollution and violations of the rights of local people (Friends of Earth, 2022). This is haply one of the reasons why Tesla, the world's largest electric car company, has not invested in Indonesia.

Amidst the ongoing controversies, Indonesian government remains adamant and publicly defended its nickel policy against many contentions. This begs question on why Indonesia continues to implement the downstream policy and advance nickel industrialisation.

Studies on Indonesia's policies in the resource sector are dominated by explanation from the lens of resource nationalism. The perspective was popularised by Eve Warburton who argues that natural resource nationalism aptly depicts Indonesia's efforts to gain greater control over its natural resources, which are often portrayed as exploited by foreign capital, as an attempt to reassert sovereignty and gain a greater share of profits from resource extraction (Warburton, 2014, 2017, 2018, 2019, 2023).

The emergence of resource nationalism in Indonesia, as Warburton has maintained, is greatly influenced by several domestic political conditions. First, resource nationalism is driven by political opportunism packaged in the concept of nationalism. This is related to efforts to arouse positive sentiment from the people, which can be used in the election process. In general, expressions that show a strong spirit of nationalism, which prioritizes domestic ownership of industries and resources, will influence patterns of political support. Second, the character of Indonesian society that still shows a strong patronage system





greatly affects the patterns of support between the government and its support network. This strong link is found in the network of interests between vested business interests and its patronage relationship with Indonesian legislators, and the relationship with the structural power and influence of large foreign mining companies in Indonesia (Warburton, 2018, pp. 16–18).

Although compelling, the argument of resource nationalism focuses on the nature of resources economic governance as part of Indonesia's efforts to gain greater control over its natural resources to improve the country's balance of trade and recently, to help Indonesia reach upper middle-income status. The above argument, however, disregard the discourse of policymaking around security issues in natural resources which also contributes to Indonesia's preferences in implementing nickel downstream policies, for example, related to the question of why Indonesia implements a downstream policy despite mounting criticisms both from domestic and international actors.

To complement the above argument, this article suggest that the Indonesian nickel downstream policy must be explained by interrogating the 'discursive politics of security' (Balzacq, 2010), in which the Indonesian government identifies a threat as well as persuading the Indonesian people to comprehend the urgency of the policy. The article proposes securitisation theory can a lens to look at the discursive politics of nickel downstream policy. The research question is two what extent the nickel downstream policy embodies a securitisation phenomenon. Therefore, in this article we aim to untangle how securitisation is part of the discourse regarding the nickel downstream policy.

Using the securitisation approach, it views that the nickel downstream policy is not only a form of domestic policy which is the government's desire or because of the insistence of domestic mining business interest groups to achieve national goals, for example as achieving economic growth as well as becoming an important player in the electric vehicle industry ecosystem. From the perspective of securitisation, the nickel downstream policy is also a form of resource securitisation policy by the Indonesian government as a response to the perceived threats to economic security, regime/government security and security from geopolitical threats that arise both from the domestic and international levels.





Hence, the study seeks to increase understanding of the ways in which the issue natural resources have been constructed as a security issue in the context The global transition towards renewable energy and electric vehicles (EVs) that has precipitated an intense competition for critical minerals, with nickel emerging as a pivotal resource in this evolving landscape. As the key finding of the analysis, we claim that Indonesia's nickel downstream policy embodied a securitisation as the government frame it as a dire necessity for Indonesian to escape form middle income trap, which is considered as a significant threat to its economic development. Because of limited space, we focus on the search for the international context that associated with the domestic political process, where the government, through the process of discourse, frames the security of resources, especially nickel, as an issue of Indonesia's existential threat.

Literature Review and Theoretical Framework

Indonesia's nickel downstream policy is one of the development strategies driven by the mining commodity sector. This policy is often cited as one example of a policy of natural resource nationalism (The Economist, 2023; Warburton, 2014, 2017, 2018, 2019, 2023). Natural resource nationalism in Indonesia, including nickel downstream policies arises due to a combination of efforts to arouse populist sentiment in society through the jargon of nationalism and the existence of a strong network of interests between politicians, domestic business groups and foreign business groups. As Warburton argues:

‘(Indonesia) resource nationalism should not be viewed as a temporary response to price booms..... Instead, we should see nationalist interventions in Indonesia as part of a re-emergent developmentalist model. The developmentalist vision for a locally owned and industrialised resource sector enjoys much support within the policy-making elite, and dovetails with the interests of domestic business. The ideas that underpin resource nationalism also resonate with broader narratives about Indonesia's struggle against foreign economic exploitation (2018, p. 91).’

Another study conducted by IGW Wicaksana, in the same vein, explains the domestic conditions that become the driver of nationalistic mining policy. He argued that economic nationalism, especially in the mining sector, is greatly influenced by the need for legitimacy of the Indonesian government (Jokowi administration), because *‘facing legitimacy*





challenges from the inside and the outside of the political system has to opt for the nationalistic stance on the basis of its visibility to respond to dynamics (Wicaksana, 2021, p. 33).'

While the perspective of resource nationalism is compelling, it primarily emphasises domestic economic and political factors as the main drivers behind Indonesia's implementation of its nickel downstream policy. Key domestic elements include the rise of a domestic capitalist class following the collapse of the New Order, which has increasingly engaged with and exerted control over the mining sector. Additionally, public pressure on the government to ensure that the resource sector serves national interests and generates profits for the populace also has been pointed out as a significant element, while at the same time, the government viewed the policy as a means to bolster and maintain the legitimacy of the Jokowi administration through economic growth, with nickel serving as a crucial catalyst.

However, analyses rooted solely in resource nationalism often fail to adequately address the political and economic dynamics at the global level that influence international relations (international resource politics). An overemphasis on domestic factors can obscure the impact of international political and economic developments on Indonesia's policy choices. For instance, why does the government remain resolute in the face of ongoing pressure from developed nations, including the European Union, the United States, and the International Monetary Fund as well as from the environmental groups? This oversight creates a critical gap in understanding that necessitates an integrative approach, combining both domestic and international analyses to elucidate the rationale behind the Indonesian government's decision to pursue a nickel downstream policy.

In complementing the resource nationalism argument, this article seeks to explain the discourse of policymaking around security issues in natural resources which also contributes to Indonesia's preferences in implementing nickel downstream policies. Securitisation theory provides a robust framework for analysing the linkage between security moves, referent object existential threats and emergency measures.





One of the studies that can be used as a foothold for analysis is the explanation given by Jeffrey D. Wilson (Wilson, 2017, 2019). Wilson explained that one important factor at the international level that is often overlooked in the policy of resource economic nationalism in a country is the encouragement to securitise/secure resources from external factors that are considered to threaten the existence of a country (Wilson, 2017). Nationalistic resource policy is often a consequence of securitisation policy over natural resources (Wilson, 2017, p. 11).

Securitisation of natural resources, according to Wilson, is not inherent in a particular problem/issue, but is subjective and contingent. A securitisation policy is put in place when a strong actor considers a problem as an existential threat to some value or interest and discourses those problems within the security framework. This policy appears in countries where natural resource problems are affected in terms of economic security, regime security and/or geopolitics (Wilson, 2017, p. 11).

Steps to securitise an issue are usually carried out by the policy-making elite directly, or due to pressure from interest groups that are important political constituents for these elites. As a result, securitisation policies will allow the government to take policy measures that can be seen as a practice outside the normal norm for the problem (Wilson, 2019, pp. 117–118). For consumer countries, resource securitisation is realized in an effort to secure access to resources, while for producer countries, resource securitisation is an effort to utilize resource ownership for the economic and political interests of their country, to avoid a '*resource curse*' (Ross, 1999; Sachs & Warner, 2001).

Securitisation approach is important to explain the factors of resource nationalism policy for several reasons (Wilson, 2017, pp. 12–14). First, the securitisation approach argues that the government will make efforts to secure resources because the security domain is the main role of the government. In many countries, resources are considered an important economic security issue. In countries that are consumers of resources, securitisation of resource is aimed at protecting the access of economic interest groups to resources. While in producer countries, this securitisation concerns how resource revenues





are used by the state for economic and development purposes and the process of its distribution to community groups.

Second, securitisation usually directs the government to adopt a resource policy regime that is economically nationalist. This is based on the idea that rather than leaving the exploitation of resources to market forces and the decisions of private companies, the government intervenes in these sectors to control the sectors that are essential to the existence of the state. In producer countries, securitisation often takes the form of so-called nationalist policies of resources, such as state ownership, industrial policy intervention, trade and investment controls, and taxation arrangements. Because of adopting policies that are economic nationalism, the government generally prefers a state-based resource policy regime rather than a market, which results in a relatively high level of state control over the international market.

Third, securitisation and nationalism of resources within the state play a decisive role in shaping the political patterns of resources among them. This securitisation affects how countries view interdependent relationships between countries, whether they will be individualistic, competitive or act unilaterally when there is a scarcity of resources.

With the above considerations, the nickel downstream policy in Indonesia can be seen as a securitisation policy on natural resources which is seen as having a great influence on the existence of the country. This view makes it possible to build an analytical model that can identify the securitisation approach as a political driver of natural resources. Moreover, there has been a perception that control over nickel resources enhances Indonesia's bargaining power in various international forums, which marked by a broader trend of resource securitisation in the context of shifting global power dynamics (OECD, 2020). It has enabled the government to implement and justify measures that might otherwise be seen as contradicting free-market principles or international trade norms. For example, the abrupt ban on nickel ore exports in 2020, while controversial, was framed as a necessary step to protect national interests.

The concept of security is foundational to securitisation theory and is understood in a broad and inherently political sense. Williams refers security as 'the alleviation of threats to





cherished values; especially those which, if left unchecked, threaten the survival of a particular referent object in the near future' (Williams, 2008, p. 5). Within the field of security studies, securitisation describes to the process through which issues are framed as existential threats, necessitating extraordinary measures and justifying actions outside the bounds of normal political procedures (Buzan et al., 1998). This process moves issues from the domain of routine politics into the realm of security politics, where language plays a pivotal role in constructing urgency and legitimizing responses (Judge et al., 2018).

Securitisation theory is closely tied with the Copenhagen School, which emphasizes the role of speech acts. In this perspective, securitisation is initiated by actors—typically state representatives—who label specific topics as threats requiring immediate and exceptional action. By doing so, they alter the rules of political engagement, bypassing conventional processes and concentrating decision-making within a smaller elite. While this dramatic form of securitisation can limit democratic participation, it is also used in less overt ways, where framing an issue as a security concern serves to draw necessary attention to it.

The specific features of securitisation are socially and politically constructed, emphasizing the performative nature of security discourse. Simply declaring an issue to be a matter of security can, in itself, make it so. However, this performative element does not negate the existence of objective security threats that may remain unrecognized or inadequately addressed (Floyd, 2019). Balzacq, from a sociological perspective on securitisation, broadens the framework by situating it within the political sphere. This approach acknowledges that security and politics are inseparable and that the actions associated with securitisation are negotiated within a political context. Moving beyond the speech act model of the Copenhagen School, this perspective incorporates the “discursive politics of security,” where actors not only identify threats but actively work to persuade audiences of the appropriate responses (Balzacq, 2005). This enables a more nuanced analysis of the interplay between language, power, and policy within securitisation processes.

Balzacq’s framework further refines securitisation theory by emphasizing three key assumptions: first, that securitisation is highly context-dependent; second, that it is





audience-centred; and third, that its dynamics are deeply embedded in power relations (Balzacq, 2005). He also challenges the Copenhagen School emphasizes audience acceptance as critical to successful securitisation, by arguing that securitisation can occur without explicit audience acceptance, particularly when policies themselves embody securitizing logic, bypassing the need for overt discursive persuasion.

The framework for analysing securitisation includes several key elements. First, existential threats are central, referring to dangers that jeopardize basic human needs or the ability to live minimally decent lives (Floyd, 2019). Second, such threats must be linked to referent objects, the entities identified as requiring protection, which could include states, critical infrastructure, or populations (Buzan et al., 1998). Third, securitisation often involves the invocation of extraordinary measures, justified through the dramatization of security concerns. Policies or actions justified as necessary for security, often breaking normative political practices, shift power dynamics, and constrain access to information (Heinrich & Szulecki, 2018; Kuzemko, 2014).

Regarding the last element, the notion that security policies should frame issues exclusively as existential threats necessitating exceptional measures is currently facing scrutiny. Scholars have critiqued this perspective, noting that in many democratic countries, securitising actors do not always resort to extraordinary security measures when addressing threats. This raises the question of how to define the exception or anomaly. The exception is one of executive unilateralism (Floyd, 2016). The principle of executive unilateralism asserts that the executive has an intrinsic authority to identify emergencies and determine the necessary actions in response (Floyd, 2016, p. 2). This concept is clearly reflected in the process of securitisation, as a securitising actor achieves maximum efficiency by acting legitimately beyond the limits of established rules and regulations. Further, Floyd demonstrated in the context of liberal democratic states, the exception is not characterised by the complete suspension of legal norms but rather by scenarios in which (1) new laws are enacted, (2) emergency powers are introduced or expanded—both of which aim to manage crises or threats and are often sanctioned by independent judicial review—or (3) existing security frameworks or emergency legislation are used to address new challenges





or previously unaddressed issues (Floyd, 2016, p. 2) in the context of Indonesia, is the prohibition on the export of raw nickel ore in 2014-2016 and again in 2020 is a clear example of executive unilateralism that will be demonstrated below.

Methods

This study employs a qualitative research methodology to examine Indonesia's nickel downstream policy through the lens of securitisation theory. Our approach combines document analysis, and economic data examination. We analysed official policy documents, government statements, and economic reports and employed thematic analysis to identify recurring themes and patterns in the collected data, focusing on how nickel resources are framed in terms of economic, regime, and geopolitical security. This multi-faceted approach allowed for triangulation of data sources, enhancing the reliability and validity of our findings. By integrating these diverse data sources, we aim to provide a comprehensive analysis of the securitisation processes surrounding Indonesia's nickel policy and their implications for both domestic and international spheres.

Result and Discussion

Our study reveals that the Jokowi administration has been employed securitisation narratives to frame the urgency of nickel downstream policy. It also shows that the securitisation narrative employed by the government encompasses three main dimensions: economic security, regime security, and geopolitical security. Hence, Indonesia's nickel downstream policy is a response to perceived threats to economic and regime security, as well as geopolitical challenges at both domestic and international levels.

Nickel Downstream Policy: A Securitisation without Extraordinary Measures

Indonesia's nickel downstream policy can be viewed as a securitisation of its natural resources, despite the government has not taken extraordinary measures to ensure the strategic control and utilization of this critical mineral. Instead, the policies on nickel downstream were born out of executive unilateralism as new laws are enacted, emergency





powers are introduced or expanded to manage crises, and existing security frameworks are utilized to tackle new challenges.

The downstream policy was initiated during the presidency of Susilo Bambang Yudhoyono (SBY). At that time, the government developed the National Long-Term Development Plan (RPJPN 2005-2025) to enhance the value-added potential of the manufacturing sector, underscoring the significance of this policy for Indonesia's economic advancement. In 2009, the SBY administration enacted Law No. 4/2009 on Mineral and Coal Mining, commonly referred to as the Mineral and Coal Law, which mandates that mining companies process extracted minerals within Indonesia (Law No. 4/2009, n.d.). According to Articles 102 and 103 of this law, all mining companies—whether operating under Mining Business Permits (*Izin Usaha Pertambangan/IUP*) or Special Mining Business Permits (*Izin Usaha Pertambangan Khusus/IUPPK*)—are required to establish smelting facilities in Indonesia within five years from 2009, after which a complete ban on the export of unprocessed mining products will be enforced.

Despite a notable increase in global commodity prices during the period from 2003 to 2013, the introduction of the Mineral and Coal Law was not solely driven by a desire to augment national revenue from the mining sector. The SBY government framed this legislation as a response to economic threats, particularly concerning the disproportionate distribution of mining profits between multinational corporations and the Indonesian government or populace. For instance, SBY articulated concerns about the excessive gains of multinational corporations, stating, ‘many multinational corporations take too much and do not leave behind enough for the people of those countries...we want to have a fair share too’ (Warburton, 2014). This perspective suggests that although the Indonesian government benefited significantly from rising mining commodity prices, it perceived a threat to economic security stemming from foreign dominance in the mining sector.

Since taking office in 2014, President Joko Widodo has prioritised nickel downstream policies as outlined in the 2025-2045 National Medium-Term Development Plan (RPJPN). This policy involves restricting or halting the export of raw nickel and promoting the local processing of these materials in Indonesia prior to export. The intended outcomes of this





strategy include the creation of domestic employment opportunities and the stimulation of national economic growth through increased export revenues.

One of the most contentious elements of the downstream policy is the prohibition on the export of raw nickel ore. Between 2014 and 2016, the administration of President Joko Widodo enforced a ban on nickel ore exports. However, due to an inadequate number of smelters capable of processing the total production and a significant decline in commodity exports and tax revenues, the government reopened nickel ore exports in 2017. This reopening allowed for exports of nickel ore with a concentration below 1.7%, contingent upon the requirement that nickel ore with at least 30 percent content be utilized from production capacity. The government indicated that this reopening would remain in effect until 2022; nevertheless, in early 2020, the Indonesian government reinstated the ban on nickel ore exports.

These policies taken by Jokowi administration at the surface were not considered as extraordinary measures, since they were based on the binding rules of the Law No.4/2009. However, there were elements of executive unilateralism, as Jokowi administration demonstrated inherent authority to decide the condition of emergency, pronounced the ban of nickel ore export and the stipulation for building nickel smelters before exporting the refined nickel.

The executive unilateralism, instead of extraordinary measures to securitise nickel downstream policy, further shown the promulgation of Law No. 3 of 2020 that amendment to Law No. 4/2009, on 12 May 2020. The promulgation of the Law has been criticized by various stakeholders, including civil society, as it is perceived to be hasty and lacking in public input. The ratification of the new Law occurred amid Indonesia's ongoing battle against the coronavirus (COVID-19), further raising concerns about its timing. Previously, the RUU (*Rancangan Undang-Undang/* the bill) has generated controversy for allegedly favouring mining entrepreneurs sparked widespread student protests in 2019. It was one of the key pieces of legislation that faced opposition. Ultimately, President Joko Widodo chose to postpone discussions on the RUU. However, in February 2020, the bill was revisited and





subsequently passed on May 12, 2020, indicating that its deliberation occurred within a mere three-month period (Ramadhan & Kristian, 2020).

Law No. 3/2020 has sparked controversy on several fronts. First, it grants the central government the authority to establish national mineral and coal policies, thereby transferring permitting powers from local governments, as stated in Article 35(1), which specifies that mining operations must be conducted under licenses issued by the central government. Second, the law has been criticized for favouring specific parties by facilitating the extension of contracts or operations that transition to IUPK (*Izin Usaha Pertambangan Khusus*/Special Mining Business License) without auction and with guaranteed extensions and areas, as outlined in Article 169 A. This provision allows KK (*Kontrak Karya*/Contract of Work) and PKP2B (*Perusahaan dengan Perjanjian Karya Pengusahaan Batubara*/Company Contract of Coal) to secure extensions to IUPK upon meeting certain requirements, effectively benefiting select stakeholders. Another point of contention arises from Article 162, which imposes penalties on individuals who obstruct or interfere with mining activities that comply with the criteria set forth in Article 136(2) (UU Nomor 3 Tahun 2020, n.d.).

In short, the securitisation of nickel downstream policy did not embody in extraordinary measures, but more an executive unilateralism. Using its authority, Jokowi administration as securitising actor has set the measures by enacting a new law, which gave the government emergency powers to manage the perceived threats, while using the law as the existing security frameworks or emergency legislation to regain the control of nickel downstream policy in the hand of central government.

Narratives in Defending the Nickel Policy

Since the implementation of the nickel downstream policy, Indonesia has experienced significant increases in nickel export figures and revenues. The Jokowi administration reported a 745% surge in state revenues from nickel, rising from approximately US\$4 billion in 2017 to US\$33.81 billion in 2023 (Indonesia.go.id, 2023; The Economist, 2023), alongside a 21.9% increase in investments (Antaraneews.com, 2024). By 2023, the number





of operational smelters reached around 43, with an additional 28 under construction and 24 in the planning stages (Habir, 2023). This policy has evidently yielded substantial short-term benefits for Indonesia in terms of production, value, and investment.

However, economic growth is not the sole justification for the downstream policy. The Indonesian government remains committed to this policy despite calls for reassessment due to unfavorable medium- and long-term prospects (Gupta, 2023; Hendrix, 2023; Kim, 2023). The ban on nickel ore exports has contributed to rising international nickel prices, allowing smelter investors to benefit from lower domestic ore prices while achieving higher export values. Consequently, the advantages of this policy are disproportionately enjoyed by smelter investors, particularly Chinese companies, which dominate approximately 90% of Indonesia's nickel processing facilities. Key players include Tsingshan Holding Group, Zhejiang Huayou Cobalt, Ningbo Lygend (part of CATL Group), Wuling Motors, and China Molybdenum Company (Habir, 2023).

The rising price of nickel poses a significant market threat due to the potential emergence of substitute materials for battery production. Indonesia's ambitions for nickel-based industrialization and its substantial nickel reserves may diminish in value if alternatives to nickel are adopted in battery chemistry or technology. Currently, nickel is a crucial component in nickel-manganese-cobalt (NMC) batteries, which dominate the market due to their superior range and power-to-weight ratio. However, the introduction of lithium iron phosphate (LFP)-based batteries, which are cheaper and carbon-free, has raised concerns about the sustainability of Indonesia's nickel dominance, particularly as manufacturers like Tesla have begun utilizing LFP batteries since 2022 (Habir, 2023). This issue has even become a focal point in the debates for the 2024 presidential election (A. Sidik, 2024).

Despite criticisms regarding the uncertain profitability of nickel downstream initiatives in Indonesia's electric vehicle industry, the government remains steadfast in its policy. With the ongoing transition toward electric vehicles and non-fossil energy sources, future economic opportunities are still anticipated. Consequently, the Indonesian government is lobbying other nickel-producing nations to establish an organization akin to





OPEC for nickel commodities (Listiyorini & Harsono, 2022). For example, an observer states:

The idea for an OPEC-style cartel reflects the Indonesian authorities' desire to leverage its control over a scarce and highly sought-after commodity. They seek a more favourable position on the global technological frontier. Indonesian officials are discontent with the relatively low-value activities of extracting and exporting raw commodities. They want more of the value-added during processing and manufacturing. Such value has historically been captured outside of Indonesia (Guild, 2023).

After the WTO ruled in favour of the EU in October 2022, the Indonesian government has framed the situation as a threat from the EU. President Jokowi emphasized the importance of perseverance, stating, "If we lose and hesitate to export raw materials again, our country will not become a developed nation" (Ulya & Sari, 2023). Indonesian officials have characterized the WTO ruling as unfair and indicative of external pressure. For instance, a representative in Geneva expressed concerns regarding the perceived bias against Indonesia's interests. An Indonesian representative in Geneva stated:

I would say there is indeed a crisis at the WTO. That is why we tried to call for a WTO revitalization at the G20 forum. Among others, by addressing the elephant in the room of reactivating the appellate body (Shofa, 2023).

In its June 2023 report, the International Monetary Fund (IMF) criticized Indonesia's nickel downstream policy and urged Indonesia to consider phasing out export restrictions and not extending them to other commodities (IMF, 2023, p. 2). Indonesian officials framed the IMF's criticism as an infringement on national sovereignty. For example, Minister of Investment Bahlil Lahadalia asserted that downstream policies are integral to sovereignty and should not be dictated by external entities. He emphasized that Indonesia should not be judged by foreign standards (Damara, 2023). Coordinating Minister for the Economy Airlangga Hartarto described the IMF's stance as a form of "regulatory imperialism," arguing that external pressures to export commodities represent a new form of colonialism (Ramli & Pratama, 2023). President Jokowi reinforced this position during a speech to the Indonesian Employers Association (APINDO) in July 2023, asserting that Indonesia must continue its downstream initiatives despite international pressures from the WTO and IMF





(Kemsetneg, 2023) Overall, the Jokowi administration has framed the nickel downstream policy as a critical issue of national importance amid external criticisms.

Framing The Existential Threats

This part analyses factors that driving the securitisation of nickel in Indonesia. Discursive politics of security related nickel downstream policy shows that Jokowi administration has framed the existential threats that encompasses three main dimensions: economic security, regime security, and geopolitical security to persuade audiences.

From economic security perspective, there has been a sense of economic insecurity due to the government failure in boosting the economic growth. Indonesia's economic growth has fallen short of government targets in recent years, Indonesia GDP growth rate for 2019 was 5.02%, a 0.15% decline from 2018, GDP growth rate for 2020 was -2.07%, a 7.08% decline from 2019, while in 2021 its GDP rose to 3,7%, below the government's target of 5-6% (O'Neill, 2024). This underperformance has created significant pressure to find new engines of economic growth.

There has been a strong belief among Indonesian officials that the nickel industry can drive economic development, in which see nickel as an important ticket to becoming a developed economy. Official statements consistently frame nickel resources as vital for Indonesia's economic growth and development. This framing justifies the extraordinary measure of banning raw nickel exports, positioning it as necessary for safeguarding national economic interests. Jokowi has emphasised that the downstream of the nickel industry and other natural resources is the key to improving the national economy. The President also explained how the nickel downstream policy has brought a big jump to state revenues through tax and other state revenues.

In his State Address before the parliament, Jokowi stated:

‘because Indonesia is very rich in natural resources including mineral materials, plantation products, marine products, as well as new and renewable energy sources. However, being rich in natural resources is not enough (...) Indonesia must be a country that is also able to cultivate its resources, be able to provide added value and prosper its people. And we can do this through downstream, which I have conveyed hundreds of times, dozens of times. The downstream that





we want to do is downstream that transfers technology, which utilizes new and renewable energy sources, and minimizes environmental impacts. The government has required mining companies today to build nursery centres, build nursery centres, to reforest land after mining, after mining. The downstream that we want to do is downstream, not only in mineral commodities. But also, non-mineral, such as palm oil, seaweed, coconut and other potential commodities (*Pidato Presiden RI Pada Sidang Tahunan MPR RI, 2023*).’

The above rhetoric clearly emphasises the transformative potential of nickel for Indonesia's economy, moving beyond mere resource extraction to value-added production. The economic securitisation narrative is lucidly demonstrated by the government's view of downstream policy as the cornerstone of future economic security.

Nickel downstream policy also has much to do with Jokowi's administration legitimacy. The nickel downstream policy is closely tied to President Joko Widodo's vision of economic nationalism, a key component of his political platform (Warburton, 2021). For example, the Minister of Investment/Head of the Investment Coordinating Board (BKPM) Bahlil Lahadalia underscored that the policy of processing raw products into high added value in the nickel sector has an impact on increasing the economy up to 10 times. In highlighting the importance of nickel downstream policy to the dramatic increase of state revenues and national economic interest, Lahadalia stated:

‘In 2017-2018, our nickel exports were only 3.3 billion US dollars. Once we stop, then we build industry, we build downstream. Our exports now in 2023 have reached 33.5 billion US dollars, a 10-fold increase, (.....) The nickel downstream program also makes Indonesia one of the largest producers of stainless *steel* in the world, as well as a potential country in the development of renewable energy investment, especially electric vehicle batteries (Antaraneews.com, 2024).’

This framing of the policy as a matter of national pride and sovereignty has been crucial in mobilizing public support and justifying the associated economic disruptions.

The government also often linked the success of the nickel downstream policy to its legitimacy and ability to deliver on promises of economic development. President Joko Widodo, in the opening speech of the XXII Congress of the Indonesian Economic Scholars Association (ISEI), September 2024 indicated that the downstream of the nickel industry and other natural resources is the key to improving the national economy (Kantor





Kepresidenan RI, 2024). In other occasion, Jokowi also affirmed that nickel downstream policy has created so many jobs as an effect of investment in the downstream industry (*Pidato Presiden RI Pada Sidang Tahunan MPR RI*, 2023). This rhetoric ties the policy's success to the regime's stability and popular support. Thus, there have been consistent narratives that frames the nickel policy as a test of the government's ability to assert control over national resources and deliver tangible benefits to the population. This framing aligns with Warburton's (2021) concept of 'new developmentalism' in Indonesia, characterized by increased state intervention in strategic sectors.

Indonesia's decision to embark on its nickel downstream policy has also been influenced by several external and international factors. First, the global demand for electric vehicles (EVs) and batteries and the fluctuating global nickel prices. The rapid growth of the EV market and the consequent surge in demand for batteries has been a significant driver. Nickel is a crucial component in lithium-ion batteries used in EVs. However, volatile nickel prices on the global market have pushed Indonesia to seek more stable and higher-value exports through processed products (Ericsson & Löf, 2019).

Indonesia's policy is also partly a response to competition from other major nickel producers like the Philippines and Russia, while at the same time the country faces pressure from developed countries. On the other hand, Indonesia has long memory of nations' historical exploitation of Indonesia's raw materials, which has fuelled a desire for greater economic sovereignty. These global trade tensions and increasing protectionist policies of many countries have influenced Indonesia's decision to focus on domestic processing. China's strong position in the EV supply chain has also motivated Indonesia to secure a place in this lucrative market. Furthermore, the international push for clean energy transition has increased the strategic importance of nickel for battery production. International commitments to sustainability, such as the Paris Agreement, have increased the importance of securing supply chains for green technologies (Ali et al., 2017; Bazilian, 2018)

The Indonesian government has also increasingly framed nickel resources as a source of geopolitical leverage in the global transition to clean energy. For instance, Indonesian Minister of Energy and Mineral Resources (ESDM) Bahlil Lahadalia has asserted that





Indonesia should rightfully dictate the global prices of nickel, coal, and tin, given its status as the world's leading producer of these commodities (*Indonesia Should Dictate Global Prices of Nickel, Coal: Minister Bahlil*, 2024). This framing reflects a growing awareness of the strategic importance of critical minerals in international relations.

The nickeldownstreaming policy has led to international trade tensions, particularly with the European Union, which filed a complaint with the World Trade Organization over Indonesia's nickel export ban. The Indonesian government has framed these disputes as attempts by foreign powers to undermine its sovereignty over natural resources. In response to the WTO ruling against Indonesia, the Minister of Trade stated Indonesia's appeal is about protecting our national interests, not restricting trade. Further he indicated that ‘the Indonesian government and legal representatives have prepared arguments to test the initial panel's decision that was considered wrong in interpreting WTO rules. Indonesia believes that the downstream policy does not violate Indonesia's commitments at the WTO and Indonesia will remain consistent with WTO rules’ (Setiawan, 2023). Moreover, Airlangga Hartarto, the Minister of Industry stated: ‘so if there are other countries that force us to export those commodities, I often call it regulatory imperialism, imperialist regulators, now the new colonialism is carried out in that way (Ramli & Pratama, 2023).’

Conclusion

This study has examined Indonesia's nickel downstream policy through the lens of securitisation theory, revealing a complex interplay of domestic and international factors shaping the country's resource governance strategies. Our analysis demonstrates that the policy extends beyond simple resource nationalism, encompassing economic, regime, and geopolitical security dimensions.

The securitisation of nickel resources has enabled the Indonesian government to implement extraordinary measures, such as the export ban, framing them as essential for national interests (OECD, 2021). This approach has been driven by domestic pressures for economic growth and political legitimacy, as well as international factors including the global clean energy transition and geopolitical competition over critical minerals





However, this policy is not without challenges, including environmental concerns and international trade disputes. These findings highlight the need for a more nuanced understanding of resource policies in developing economies, considering the broader context of global energy transitions and shifting geopolitical dynamics.

Future research should explore the long-term implications of such securitisation approaches on sustainable development and international cooperation in the critical minerals sector. This study contributes to a more comprehensive framework for analysing resource policies, with potential applications to other resource-rich developing countries navigating similar challenges.

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