

FACTOR ANALYSIS OF DEMAND FOR INDONESIAN NICKEL EXPORTS IN EUROPE

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Abstract

The purpose of this study is to determine the demand factors for Indonesian nickel exports in Europe. Regarding the formulation of the problem in this study, what are the factors for the demand for Indonesian nickel by Europe. Although the research method used is qualitative. Based on the results of this study it can be concluded that Nickel is a silvery-white hard metal with a slight luster of gold pattern. Nickel itself is a metal that is strong, dense, durable, heat and corrosion resistant. In addition, nickel is also a metal with good conductors of electricity and heat and one of the four very important metal elements because this metal is ferromagnetic or can be said to be easily magnetized at certain room temperatures. Therefore, nickel has a variety of uses that can be utilized in a variety of products. One of them is the raw material for making cables. Nickel is a scarce natural resource, therefore countries that do not have this natural resource must import it from producing countries. At the same time, producing countries must ensure that there are no shortages.

Keywords: *export, nickel, europe, indonesia*

INTRODUCTION

Indonesia is one of the largest nickel producers in the world with customer markets including China, America and Japan. Nickel is a raw material that is not the result of a production process, but is formed by the weathering process and the accumulation of minerals in rocks deposited in certain places and is a non-renewable natural resource. According to Ito et al. (2021) found that Sulawesi Island has extensive Ni-laterite deposits that develop well in a humid and warm climate. Nickel is a scarce natural resource, therefore countries that do not have this natural resource must import it from producing countries. At the same time, producing countries must ensure that there is no shortage, as nickel is a non-renewable resource.

Meanwhile, according to Farrokhpay et al. (2019) stated that nickel is a world important metal, extracted from sulfide and laterite, and consumption is around 2 million tonnes per year. The high practical value and high use results in a high demand for nickel in the international market. The limited availability of nickel causes trade between different countries. In this case, Indonesia plays a role as a producer exporting nickel ore to various countries. Indonesia can be said to be an open economic system because Indonesia maintains international relations through international transactions or trade with other countries (Mardiana, 2021). The creation of free trade brings benefits and plays an important role in driving the economic growth of a country, especially in a developing country like Indonesia which has abundant natural resources (Rahayu, 2020).

The aim of trade between countries is not only to meet demand, but also to encourage economic growth in order to absorb labor and increase people's technological literacy as a result of expanding markets and increasing production (Putu, 2021). However, almost all of Indonesia's nickel reserves in the form of nickel ore, ferronickel and raw nickel are used to meet export needs (Satriawan, 2015). Although Indonesia has banned nickel exports to protect the environment, avoid scarcity and encourage the creation of nickel companies in Indonesia, this policy has not been implemented optimally and has instead contributed to significant insecurity. importing country. However, this ban could result in Indonesia facing problems with international trade law. (Prasetyo, 2017)

The Indonesian government strengthened nickel export regulations by issuing ESDM Ministerial Regulations Number 5 and 6 in 2017. Then, the government amended these regulations by accelerating the nickel export ban which was originally planned to take effect in 2022 but was implemented in early 2020. This regulation is a sign of the government's firmness Indonesia, even though nickel importing countries, especially those in the European Union, felt disadvantaged by this decision. Where was Indonesia's decision to ban nickel ore since 2014 which also caused nickel prices to fluctuate more. (Widiatedja, 2021)

The imbalance between demand and supply can lead to the problem of security of nickel resources and a shortage of nickel resources endangers the growth of the industrial chain. Policy makers are concentrating on the trading price of nickel due to significant fluctuations in futures prices recently. Asia is an important part of the nickel trade. (Zheng, 2022). Demand for materials in developing countries can grow rapidly with accelerated industrialization, population and economic growth. Consequently, there may be an increase in material consumption in this region (van Vuuren, 1999). However, regular changes affect the development of Indonesia's nickel exports, especially the value of the Relative Advantage Index. As owners of the largest nickel reserves in Indonesia, they must be able to find the most profitable export commodities.

Natural resources, human resources, geographical locations, and climates that differ between countries can lead to international trade. Indonesia's natural resources are very abundant. abundant resources can offer many benefits to Indonesia, especially in terms of the economy. Abundant natural resources can be an opportunity for Indonesia to market it in the global market. Agricultural, mining, forestry and timber industry products are the commodities most often traded in the global market. Nickel is one of Indonesia's mining products which has a large export value and contributes to increasing the country's foreign exchange.

One of the bilateral agreements in the European Region that Indonesia has agreed to is by signing the Comprehensive Economic Cooperation Agreement between Indonesia and the European Free Trade Association (IE-CEPA), Indonesia has the opportunity to export its products easily. Nickel is Indonesia's commodity most coveted by countries in the European Region. Due to the fact that nickel is the most coveted commodity by these countries, an increase in demand for nickel could lead to a decrease in nickel reserves in Indonesia, forcing Indonesia to take action to prevent nickel from quickly depleting. The nickel export ban is one of the actions taken by Indonesia. The European Union sued Indonesia to the WTO because of the ban.

METHOD

This research was conducted using qualitative and descriptive methods. According to Sugiyono (2016), qualitative research is research that studies natural conditions, with the researcher as the key instrument. This reference is based on the Mineral and Coal Mining Law (Minerba) Number 4 of 2009, Decree of the Secretary of State for Energy and Mineral Resources. 11/2019, concerning the second amendment to the Minister of Energy and Mineral Resources Decree No. 1. 25 of 2018 concerning mineral and coal mining. The following is explained with the aim is to provide an overview of the phenomenon of the problem in research.

RESULTS AND DISCUSSION

Nickel is a silvery-white, hard metal with a slight golden shimmer. Nickel itself is a metal that is strong, dense and durable Heat and corrosion resistant. In addition, nickel is also a metal with good conductors of electricity and heat and one of the four very important metal elements because this metal is ferromagnetic or can be said to be easily magnetized at certain room temperatures. Therefore, nickel has a variety of uses that can be utilized in a variety of products. One of them is the raw material for making cables.

Exports of nickel commodities alone can boost the Indonesian economy. Indonesia itself is one of the largest nickel earners in the world. Based on this data, nickel reserves, as reported by the US Geological Survey in January 2020, recorded nickel values in Indonesia reached 72 million tons, including limonite nickel or low grade nickel. The sharp increase in exports of nickel commodities was due to global market demands that developed from time to time. This is itself related to Sustainable electric vehicles (EV) to meet the demand for environmentally friendly vehicles designed to reduce carbon emissions, the forecast decline in world oil reserves and production.

Indonesian nickel is a major commodity in the international market. in accordance with the increasing demand for the commodity nickel used in electric vehicles Indonesian nickel is highly coveted

by many parties as a component of the country's electric vehicle batteries, especially EU countries. The Ministry of Energy and Mineral Resources recorded that in 2019 Indonesia's nickel production reached 52.76 million tons, an increase of 138.8% compared to 2018 of 22.14 million tons. Nickel production has increased. Indonesia's nickel exports have also increased. It was recorded that in 2019 the value of Indonesia's nickel exports reached 30.19 million tons and this amount increased by 50.42% compared to the previous year.

Indonesia's nickel exports rose as demand for nickel increased. The increase from other countries, especially the EU, greatly influenced nickel mining to continue. Ongoing nickel mining can cause the availability of Indonesian nickel reserves to dwindle. Indonesia's nickel reserves are estimated at If mining continues, it will be 7.3 years from 2022. On addressing the projected depletion of nickel reserve stocks In a short time, Indonesia imposed a ban on nickel exports. Provisions for the ban on nickel exports are contained in the Regulation of the Minister of Energy and Mineral Resources of the Second Amendment of the Minister of Energy and Mineral Resources Regulation No. 11 of 2019 Mineral Resources 2018 No. 25 Mineral and coal mining business.

In addition to maintaining the availability of nickel reserves, the ban on nickel exports is also because Indonesia wants to export nickel with added value (running downstream nickel commodities). The export ban was enforced in January 2020 with the aim of centralizing and supporting nickel downstream which has been running since 2019. Based on data from the Coordinating Ministry for Trade and Economy, it said, In 2021, downstream nickel exports will reach US\$20.9 billion.

Quoting data published by the US Geological Survey (USGS), issued a statement that Indonesia is a country capable of producing the largest nickel commodity in the world, besides Indonesia is also one of the countries supporting the export of this commodity. This claim is supported by data for 2021. It is stated that Indonesia's production capacity for nickel commodities is at 1 metric ton, which means that Indonesia is able to take a share of 37.04% of the total production of nickel commodities in the world.

Judging from the size of this figure, many countries depend on it. Indonesia supports various countries in producing and exporting nickel commodities. Activities in their countries, such as supporting manufacturing development activities. Therefore, the decision to limit Indonesia's nickel exports makes many export destination countries feel less profitable, such as several countries in the European Union. Even though the Indonesian party said the reason for the decision to tighten nickel exports was to maintain the availability of supplies of raw materials, those who considered Malah argued that Indonesia violated international trade rules agreed upon by GATT members of the Agreement on Tariffs and Trade (GATT) bringing the EU's lawsuit against the World Trade Organization (WTO).

In the opinion of Farrokhpay et al. (2019) stated that nickel is a world important metal, extracted from sulfide and laterite, and consumption is around 2 million tonnes per year. The high practical value and high use results in a high demand for nickel in the international market. The limited availability of nickel causes trade between different countries. In this case, Indonesia plays a role as a producer exporting nickel ore to various countries. Indonesia can be said to be an open economic system because Indonesia maintains international relations through international transactions or trade with other countries (Mardiana, 2021). The creation of free trade brings benefits and plays an important role in driving the economic growth of a country, especially in a developing country like Indonesia which has abundant natural resources (Rahayu, 2020).

According to classical trade theory, a country trades between countries because of limited production factors. In addition, the theory of comparative advantage presents differences in production factors as the most important reason for a country to engage in international trade (Nizar, 2013). If a country can produce goods more cheaply and efficiently, the country can export because the country has a comparative advantage, and conversely, the country can import by producing more expensive and with a comparative disadvantage.

The modern trade theory of Heckscher-Ohlin (H-O) complements the theory of comparative advantage on the basis that in trade between countries a country tends to specialize in countries that have a comparative advantage. A country exports goods when the country has relatively many factors of production at lower costs. On the other hand, a country can import certain goods if it has relatively few inputs and high costs.

The aim of trade between countries is not only to meet demand, but also to encourage economic growth in order to absorb labor and increase people's technological literacy as a result of expanding markets and increasing production (Putu, 2021). However, almost all of Indonesia's nickel reserves in the form of nickel ore, nickel iron and raw nickel are used to meet export needs (Satriawan, 2015).

Since the creation of International Trade Flows, several experts have been found who express their views through the theories they create. The first theory that was successfully created by Adam Smith was the theory of absolute advantage, which means that if a country is able to produce more goods or services cheaper than other countries that produce similar goods, it has this advantage. so they can earn more profit. big and luxurious.

The next theory is David Ricardo's theory of comparative advantage, namely that a country without absolute advantage can still participate in international trade activities by specializing in the products that country can produce.

The third theory comes from Victor de Ricetti and Marques de Mirabeau, which was proposed in 1763 under the name Mercantile Economic Theory, which means that a country must export as much as possible with minimal import activity. This is done so that the country's economy is stronger than other countries. The next theory of international trade is called the Heckscher-Olin (H-O) theory and was developed by Swedish economic historians Eli Heckscher and Bertil Olin. They argue that countries with high factors of production need only lower production costs to specialize in products, which can be more effective and efficient.

Some examples of the latest theory in international trade is the theory of mutual demand by John Stuart Mill. This theory emphasizes the existence of a balance point between demand and supply which is used as a reference to determine the amount of goods that must be exported or imported by a country.

Export theory according to Meier and Baldwin (1965:313) Export is one of the industries that plays an important role in expanding markets between several countries, with the expansion of the industrial sector accelerating other industries, which in turn accelerates other industries. The most important export factor is the country's ability to produce goods that are competitive in foreign markets (Silvia Andriani & Bendesa, 2013). Exports are affected by export prices, domestic prices, real exchange rates, production capacity created by investment, commodity imports and deregulation (Anthony, 2012).

Indonesia itself reasoned that it carried out the export ban by saying that estimates of Indonesia's nickel reserves had fallen and that nickel was also being used in a government program to manufacture industrial batteries for electric vehicles. In addition, the domestic mining commodity program continues.

So this is done downstream because the existing natural resources must be used to improve human welfare. Therefore, downstream is a good goal, which is to add value to natural resources, create many jobs for the community and increase the country's exchange rate.

But behind the many opportunities that will be obtained by the Indonesian state, there are also several challenges that must be faced by the Indonesian state itself. Because the occurrence of environmental damage is the biggest challenge that must be faced by Indonesia. Caused by nickel production which can increase greenhouse gas emissions, the impact of deteriorating air and water quality. So that the damage was caused by land acquisition for land use to carry out the production of nickel processing and handling of the mining waste.

CLOSING

Nickel is a silvery-white, hard metal with a slight golden shimmer. Nickel itself is a metal that is strong, dense and durable Heat and corrosion resistant. Indonesia is one of the nickel exporting countries with a world market share. . In order to protect domestic nickel ore supplies, Indonesia has taken steps to tighten the amount of nickel ore exports. This decision was based on the goal of the Indonesian government to protect domestic nickel ore supplies. Protection of the availability of related commodities is carried out because there are predictions that domestic crude nickel supplies are running low. Concerns are increasing because raw nickel commodity is a non-renewable natural resource so that if the supply runs out, it cannot be produced again.

Therefore, nickel has a variety of uses that can be utilized in a variety of products. One of them is the raw material for making cables. Indonesia's nickel exports rose as demand for nickel increased. The increase from other countries, especially the EU, greatly influenced nickel mining to continue. Ongoing nickel mining can cause the availability of Indonesian nickel reserves to dwindle. Indonesia's nickel reserves are estimated at If mining continues, it will be 7.3 years from 2022. On addressing the projected depletion of nickel reserve stocks In a short time, Indonesia imposed a ban on nickel exports. Nickel is a scarce natural resource, therefore countries that do not have this natural resource must import it from producing countries. At the same time, producing countries must ensure that there are no shortages.

Indonesia can take action to limit the export volume of nickel ore raw materials to maintain domestic nickel ore supplies. This action is based on the goal of the Indonesian government to maintain the supply of native nickel ore. whose presence maintains product availability and estimates that the national raw nickel reserves are declining. Raw nickel natural resources are non-renewable, causing increasing concern. Production cannot start if stock runs out. For raw material export licenses related to this, there are restrictions set by the Government of the Republic of Indonesia. However, nickel is initially exported through other processes in the country. It can also increase the country's exchange rate by supporting nickel ore supplies.

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