

THE EUROPEAN UNION'S LAWSUIT OVER THE 2020 PROHIBITION OF INDONESIAN RAW NICKEL ORE EXPORTS

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Abstract

This research discusses the reasons behind the European Union's lawsuit against Indonesia regarding the policy to ban the export of raw nickel ore in 2020. The background of Indonesia's ban on the export of nickel ore is part of the national plan to develop the domestic industrial sector, including stainless steel production. Based on this policy, the European Union implemented a foreign policy to sue Indonesia at the WTO, considering it a violation of the provisions of the WTO trade agreement under Article XI:1 of the GATT 1994. The method used in this research is a qualitative descriptive research method employing Robert Ghilpin's theory, which describes foreign policy influenced by domestic industry interests and external influences. The European Union's background as a stainless steel producer makes nickel the most significant value addition for the EU in terms of employment, taxes, investments, and product utility. Nickel's utility for the EU, simultaneously serving as a benefit, lies in high-performance technological products that leverage its characteristics of high heat resistance and durability. The comparison of the income results of the EU industry, which significantly impacts the economy, has experienced a decline since the implementation of Indonesia's export ban policy. Consequently, the European Union filed the lawsuit due to economic interests in the EU's domestic industry, such as labor absorption and financial contributions to the state.

Keywords: European Union, Nickel Ore, WTO, Indonesia.

1. Introduction

In 2020, the European Union filed a lawsuit against Indonesia related to the export ban on raw nickel ore. The lawsuit was a response to the Indonesian government's policy of banning the export of raw nickel ore to encourage value-added and domestic processing. The ban was issued as part of Indonesia's efforts to increase the added value of mining products and encourage the development of a domestic processing industry.

The EU responded to the export ban by filing a lawsuit in an international trade forum, possibly to the World Trade Organization (WTO) or other institutions, as it was deemed to violate the principles of free and non-discriminatory trade. The EU may argue that the export ban could disrupt global supply chains and cause price instability in the global market, which in turn could harm producers and consumers in the EU.

The lawsuit reflects a conflict of interest between the economic protectionist policies implemented by the Indonesian government to promote domestic industry and the principles of free and open trade defended by the European Union. Such conflicts often arise in the midst of international trade negotiations and can have a significant impact on trade relations between countries as well as on the global economy as a whole..

The resolution of such conflicts often involves negotiations between the parties involved to reach an agreement that benefits both parties. In this case, Indonesia and the EU may be looking for a solution that can fulfill their respective economic and political interests while taking into account the applicable rules and principles of international trade.

In the research Legal Analysis and Economic Impact of the EU Lawsuit against Indonesia's Raw Nickel Ore Export Restrictions in 2020, that the European Union filed a lawsuit against Indonesia regarding restrictions on raw nickel ore exports. This lawsuit raises legal debates and affects the Indonesian economy and global markets. The Indonesian government needs to diversify its economy and increase investment in the nickel processing industry to reduce dependence on raw ore exports. The EU and Indonesia can establish a

dialog to find a solution that meets the interests of both parties, taking into account the legal and economic aspects involved.

1.1. Research Background

Nickel is a metallic element characterized by white luster and silver color that is the fifth most common element on earth. Nickel is found in both the Earth's crust and core, and is also found in meteorites as well as in small amounts in plants, animals, and seawater. Nickel is found in the form of sulfides and in deposits of laterite ores.

Indonesia's nickel ore exports mainly go to China, Japan, South Korea, Australia, and the European Union. Before 2014, Indonesia was the largest exporter of nickel ore. However, along with the increase in mining activities in Indonesia, there are changes in regulations related to mining, especially related to the processing and refining of mineral resources.

The ban on nickel ore exports without domestic processing and refining processes is imposed to ensure that mineral resources are utilized to the maximum before export. This is also related to the obligation of mining permit holders to increase the added value of mineral resources. International trade is an important aspect in a country's economy. Indonesia, as a member of the WTO, is bound by the rules of international trade regulated by this organization. However, there are problems related to Indonesia's nickel sector protection policy, which contradicts commitments taken under WTO agreements.

The Indonesian government also issued regulations requiring the refining of mineral mining materials domestically before export. This triggered a contraction in the nickel ore mining industry because many companies were not ready to implement the refining.

The European Union sued Indonesia at the WTO over its 2020 nickel ore export policy, stating that the export restriction measures were inconsistent with agreed international trade agreements. On the basis of the export ban lawsuit that has occurred, there are several policies between the Indonesian state policy regarding the ban on nickel ore exports and the European Union's foreign policy in response to the policy of banning the export of Indonesian nickel ore.

2. Method

2.1. Types of Research

The research method used in this study is qualitative descriptive research. Qualitative descriptive research method is one type of research that is included in the category of qualitative research. The purpose of this study is to reveal and describe events, facts, circumstances, phenomena, variables, and situations that occur during the research process.

2.2. Data Sources

2.2.1 Secondary Data

Researchers use secondary data, namely data obtained indirectly or data obtained from first, second, or third parties. Or the data is obtained through literature books, newspapers, and the internet or data that is still relevant to this study.

2.3. Data Collection Techniques

The data collection technique used in this study is by collecting information sources through online portal sites, namely by collecting data from literature books, journals, papers, newspapers, magazines and the internet.

2.4. Data Analysis Techniques

The method used by researchers is qualitative analysis. The steps to be taken are data reduction, clarifying data, interpreting and compiling data. At this stage the data will be processed into information so that the characteristics of the data can be easily understood and also useful for finding solutions to problems related to this research.

3. Results And Discussion

3.1. The Condition of the Nickel Ore Industry in the European Union as Central to Economic and Research on Environmentally Friendly Energy.

The European Union's steel industry relies heavily on nickel ore as the main raw material. Nickel has an important role in driving the efficiency and sustainability of the steel industry, as well as an environmentally friendly renewable energy source. In the European Union, nickel ore is obtained from countries such as Finland, Greece, France, Spain, and Sweden. As much as 700,000 tonnes of nickel are used each year, with most of it coming from mines and the rest from recycling, mainly stainless steel.

The importance of nickel to the European Union lies not only in the industrial sector, but also as a major contributor in employment, taxes, investment, and high-performance products. The advantages of nickel include heat resistance, durability, and magnetic or non-magnetic properties, making it an indispensable material in modern technology, electronics, and infrastructure.²

Nickel production in the European Union not only provides economic benefits, but also contributes to sustainability and improvement of people's quality of life. The innovative use of nickel makes infrastructure more durable and efficient, with positive economic value at the end of its life because it can be recycled.³

The nickel industry in the European Union also involves a large and profitable recycling business. About 80% of nickel-containing products that have expired are collected and recycled. This creates a high market for nickel scrap, as the rest of the manufacturing process and unused products have high value.⁴

On the other hand, Indonesia, which has been an exporter of steel ore, has experienced a policy change by tightening steel ore exports. The European Union responded by filing a lawsuit with the World Trade Organization (WTO), deeming it a trade barrier. The lawsuit includes violations of several articles, such as prohibitions on export and import restrictions and prohibited subsidies.⁵

The European Union's dependence on global steel inventories, including nickel ore, is increasingly a concern, especially in the context of the steel industry crisis exacerbated by the COVID-19 pandemic. This crisis affected production capacity, caused job cuts, and resulted in a deficit in the global trade balance.⁶

The importance of the steel industry in the EU economy places it as a strategic sector. Despite the challenges, EU governments are working to optimize the use of steel ore to overcome production uncertainty and adjust surplus capacity.⁷

The EU's lawsuit against Indonesia also reflects the EU's growing political and economic interests competitively at the global level. The European Union's focus on technological and economic development for the well-being of its people became a major factor in the response to changes in the international system.⁸

In an effort to achieve the goal of reducing greenhouse gas emissions, the European Union encourages innovation in the steel industry. Research projects such as SCU and CDA demonstrate a commitment to reducing CO₂ emissions through new technologies in steel production. The linkage of nickel ore with CO₂ mitigation in the European Union creates opportunities for renewable energy and sustainable technological development.

3.2. Advantages of nickel seeds for the European Union for the country's labor and foreign exchange

The raw material processing and utilization industry, including the steel industry, has a vital role in the European Union economy by absorbing around 30 million workers. This sector includes the automotive, building construction, chemical, and machinery industries, all of which depend on the availability of minerals, including nickel ore, as raw materials. The graph of employment figures in the EU steel industry in 2018 shows the highest employment rate in Germany, followed by Italy, and covering countries such as Portugal.

Although the EU labor market experienced rapid growth in 2013, the level of wages received by the workforce has not been comparable to that growth. Although the

unemployment rate declined from 12.1% to 7.7% between the second quarter of 2013 and the first quarter of 2019, low wages are still an important issue. Restrictions on steel ore exports by Indonesia could affect imbalances in production, labor, and wages, especially since the European Union has just experienced a significant decline in unemployment. Export restrictions could disrupt the job market cycle and increase unemployment in the European Union.

The importance of nickel ore as a raw material in the steel industry also has a positive impact on the foreign exchange of European Union countries. A country's foreign exchange refers to receipts from exports of goods and services, which contribute to the balance of payments and economic stability. In terms of steel ore export policy by Indonesia plays an important role.

Gilpin stressed that the rise in international economic markets has a major impact on the country's security. The development of international economic markets can be influenced by economic discoveries, the growth of the trading middle class, and changes in empires in Europe. This political and economic transformation reflects the interests of the ruling state and can affect the dynamics of the international system.

Indonesia's export policy triggered changes in economic security and the balance of global trade. With the EU's dependence on nickel ore for the steel industry, this export policy could create significant economic opportunities and strengthen the EU's position in the global market.

3.3. Impact of Indonesia's Nickel Ore Export Ban on the European Union: Implications for Global Markets and Bilateral Cooperation

Indonesia's ban on nickel ore exports at any given time creates significant waves of impact, especially on global markets and bilateral cooperation with the European Union. The increase in nickel prices in the global market by 1.2% to US\$ 16,675 per cubic ton after the ban on Indonesian nickel ore exports reflects the global market's dependence on supplies from Indonesia. In this context, the European Union, as one of the main consumers of nickel, feels the impact directly. The increase in nickel prices puts additional pressure on the pace of the global market, especially in the steel industry where nickel plays a crucial raw material.

In 2020, the impact of Indonesia's nickel export ban began to be seen on the volume of EU steel production. Production of pure steel, alloy steel, and stainless steel experienced a significant decrease compared to the previous year. This decline not only reflects the limited availability of nickel ore, but also shows that the European Union, as a large user of steel, is feeling the direct impact of Indonesia's protectionist policies.

The impact of the nickel ore export ban has also seeped into bilateral relations between Indonesia and the European Union. The negotiation process of the Comprehensive Economic Partnership Agreement (CEPA), which aims to strengthen trade cooperation between the two sides, has been hampered by export ban policies. This creates uncertainty in trade and investment relationships, with potential long-term impacts worth noting.

The European Union has a strong vision for renewable energy development and the achievement of a circular economy. However, the ban on nickel ore exports from Indonesia hinders the achievement of this goal. Nickel plays a crucial role in the development of innovative technologies that support sustainable development, including the recycling of steel waste. Its impact is not only felt in the steel industry, but also in the European Union's efforts to become a leader in the development of environmentally friendly technologies.

Data on Indonesia's steel exports to the European Union showed a significant decline between 2019 and 2020. In addition to the decline in export volumes, the value of exports and the value of FOB also decreased, creating pressure on the steel trading market in the European Union. This impact is not only limited to the industry, but also creates economic challenges that need to be addressed.

In addition to the economic impact, the policy of banning nickel ore exports created negative sentiment in diplomatic relations. The comments by EU Trade Commissioner Cecilia Malmstrom reflect the EU's difficulties in sourcing nickel ore at competitive prices and

in adequate quantities. This creates additional pressure in bilateral relations between the EU and Indonesia.

Apart from the negative impact, the ban on nickel ore exports from Indonesia also creates an impetus for the European Union to develop a new strategy. EU efforts to achieve the goal of using 100% recycled steel and improving resource efficiency are becoming more urgent. In addition, the export ban policy creates an opportunity for the EU to diversify supply and strengthen supply resilience in crucial industries.

The ban on Indonesia's nickel ore exports has a complex and multidimensional impact. From rising nickel prices, to declining steel production, to the impact on bilateral relations, every aspect needs to be carefully considered. Holistic solutions and cooperation between countries are key in addressing challenges and seizing opportunities arising from changing global market dynamics.

4. Conclusion

The nickel ore industry in the European Union has a huge impact on the economy and environment. The importance of nickel ore as a raw material in the steel industry presents challenges and opportunities for the European Union, especially in the face of changes in export policies and efforts to achieve sustainability in industrial production. Indonesia's export policy triggered changes in economic security and the balance of global trade. With the EU's dependence on nickel ore for the steel industry, this export policy could create significant economic opportunities and strengthen the EU's position in the global market.

Nickel ore provides great advantages for the European Union, both in terms of employment and in its contribution to the country's foreign exchange. There are challenges related to labor wages and market uncertainty due to export policies, the sustainability of nickel ore supply is the key to maintaining economic stability and state security in the European Union. The ban on Indonesian nickel ore exports has a significant impact on the global market, especially in the European Union. Some of the main impacts include :

1. *Nickel Price Increase in Global Market*
When Indonesia banned nickel ore exports, nickel prices on the global market increased by 1.2%, reaching US \$ 16,675 per cubic ton. This increase reflects the global market's dependence on nickel ore supplies from Indonesia.
2. *Decline in Steel Production Volume in the European Union*
The impact of Indonesia's nickel export ban was immediately felt on the volume of EU steel production. In 2020, there was a significant decline in the production of pure steel, alloy steel, and stainless steel compared to 2019. This decrease can be attributed to the limited availability of nickel ore as the main raw material.
3. *Negative Sentiment in EU-Indonesia Cooperation*
The ban on nickel ore exports creates negative sentiment in cooperation between Indonesia and the European Union. This is especially evident in efforts to strengthen trade through the Comprehensive Economic Partnership Agreement (CEPA). The CEPA negotiation process has been hampered by export ban policies, creating uncertainty in bilateral trade relations.
4. *Impact on Renewable Energy and Industry in the European Union*
The European Union has a vision to increase the use of renewable energy and achieve a circular economy, including the recycling of steel waste. The ban on nickel ore exports from Indonesia hinders the achievement of this goal, as nickel has a crucial role to play in the development of innovative technologies that reduce CO2 emissions and support sustainable development in the European Union.
5. *Decline in Indonesian Steel Exports to the European Union*
Data on Indonesia's steel exports to the European Union showed a significant decline between 2019 and 2020. This is in line with restrictions on nickel/steel ore exports by Indonesia. The impact is not only felt on export volumes, but also on export values and FOB values, creating pressure on the steel trading market in the European Union.

6. *Pressure on Partnership Agreements (CEPA)*

The CEPA negotiation process between Indonesia and the European Union has been delayed as a result of the ban on nickel ore exports. This creates uncertainty in strengthening trade cooperation between the two parties.

7. *Negative EU Sentiment on Indonesia's Attitude*

The European Union expressed negative sentiment towards Indonesia's attitude regarding the ban on nickel ore exports. The comments of the EU Trade Commissioner, Cecilia Malmstrom, highlighted the EU's difficulty in obtaining nickel ore at competitive prices and in adequate quantities.

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