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OPTIMIZING POLICY SPACE FOR INDONESIAN INVESTMENT STRATEGIES

By,
Dr. Esther Sri Astuti S.A.
Executive Director of INDEF
Lecturer of Economic and Business Faculty, University of Diponegoro

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Total Investment of IDR 13,528 trillion is needed for foreign investment and domestic investment (2025 – 2029)

Economic growth target 8%

Economic Growth (%)

Investment Realization (IDR Trillion)

Investment growth (2024-2029) averages 16.75% per year

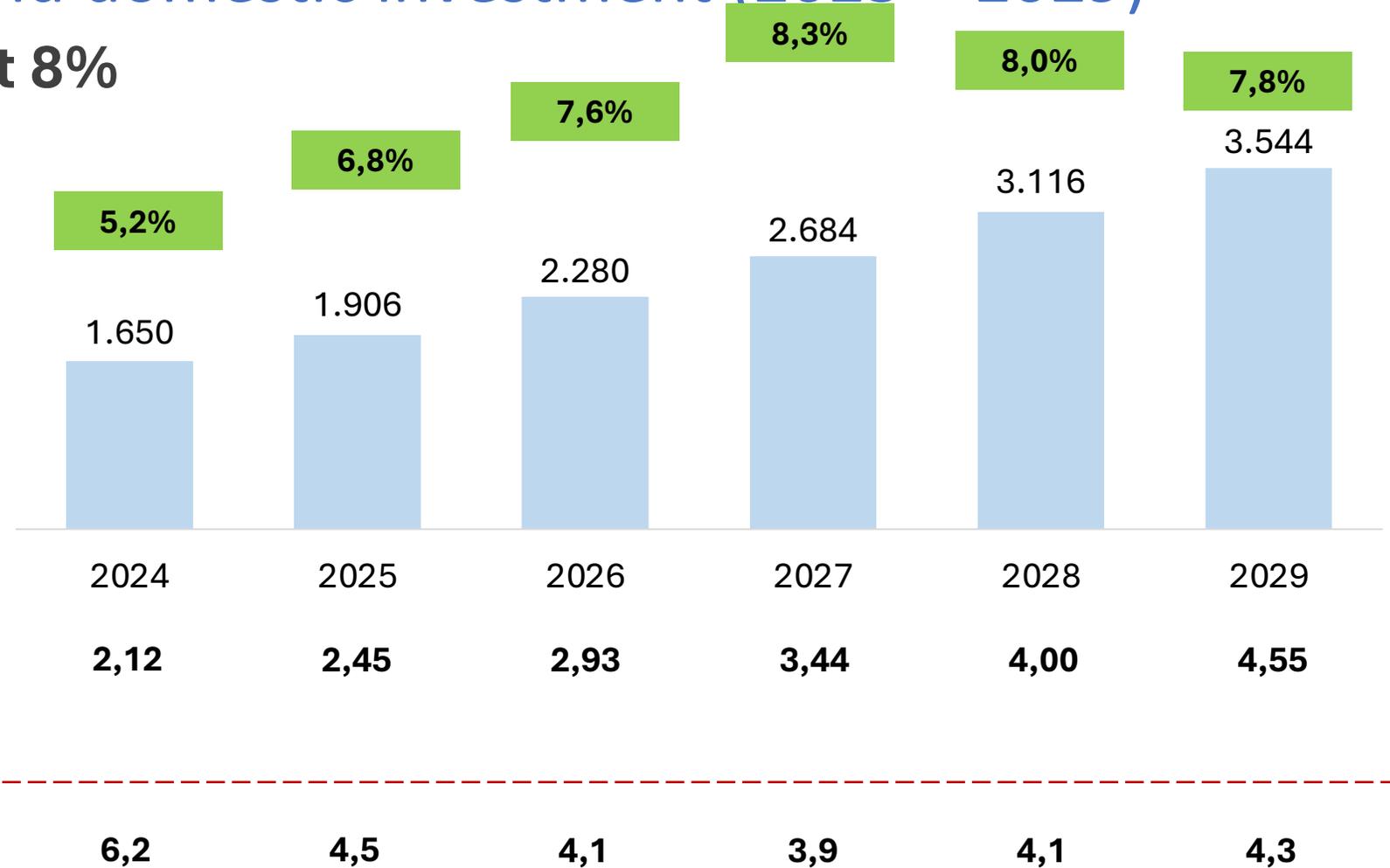
Absorption of Labor (Million People)

The average workforce absorption in 2025-2029 is 3.47 million people

Incremental Capital Output Ratio (ICOR)

ICOR in 2023 of 6.4

needs to be reduced to an average of 3-4



8 Presidential Missions (“Asta Cita”) Towards Golden Indonesia 2045

There are 4 main sectors in improving the economy.



Green Economy and **Blue Economy**

Mission (Cita) #2: strengthening the country's defense and security system and encouraging national independence through self-sufficiency in food, energy, water, creative economy, green economy, and blue economy.



Infrastructure Development

Mission (Cita) #3: increasing quality employment opportunities, encouraging entrepreneurship, developing creative industries, and continuing infrastructure dev



Developing Human Resources

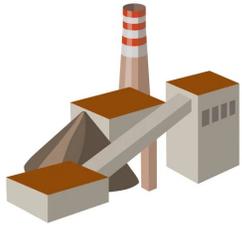
Mission (Cita) #4: Strengthening the development of Human Resources (HR), science, technology, education, health, sports achievements, gender equality, and strengthening the role of women, youth and people with disabilities.



Downstream Industry

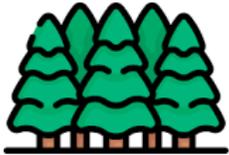
Mission (Cita) #5: Continuing downstreaming and industrialization to increase added value domestically.

Investment Realization in Downstream Sector 2020 - September 2024



Mineral

Smelter	IDR 759,8 T
- Nickel	IDR 514,8 T
- Bauxite	IDR 194,2 T
- Copper	IDR 46,7 T
- Tin	IDR 4,02 T



Forestry

Pulp & Paper	IDR 196,9 T
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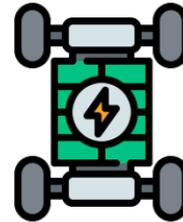
Agriculture

CPO/Olechemical	Rp 130,2 T
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Oil and Gas

Petrochemical	IDR 139,6 T
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Electric Vehicle Ecosystem

Electric Vehicle Batteries	IDR 19,1 T
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Total Realized Value of Downstream Investment

IDR 1.245,8 T

(22.1% of Total Investment Realization
2020 – September 2024)

Export Ban in several countries towards industrial down streaming



England banned the export of Raw Wool in the 16th century to encourage its textile industry.



Indonesia bans export of Raw Nickel ore starting January 2020 to encourage nickel derivative industries (stainless steel, battery raw materials) to be processed and refined domestically



US bans Semiconductor Chip exports to China to boost domestic industry in 2022

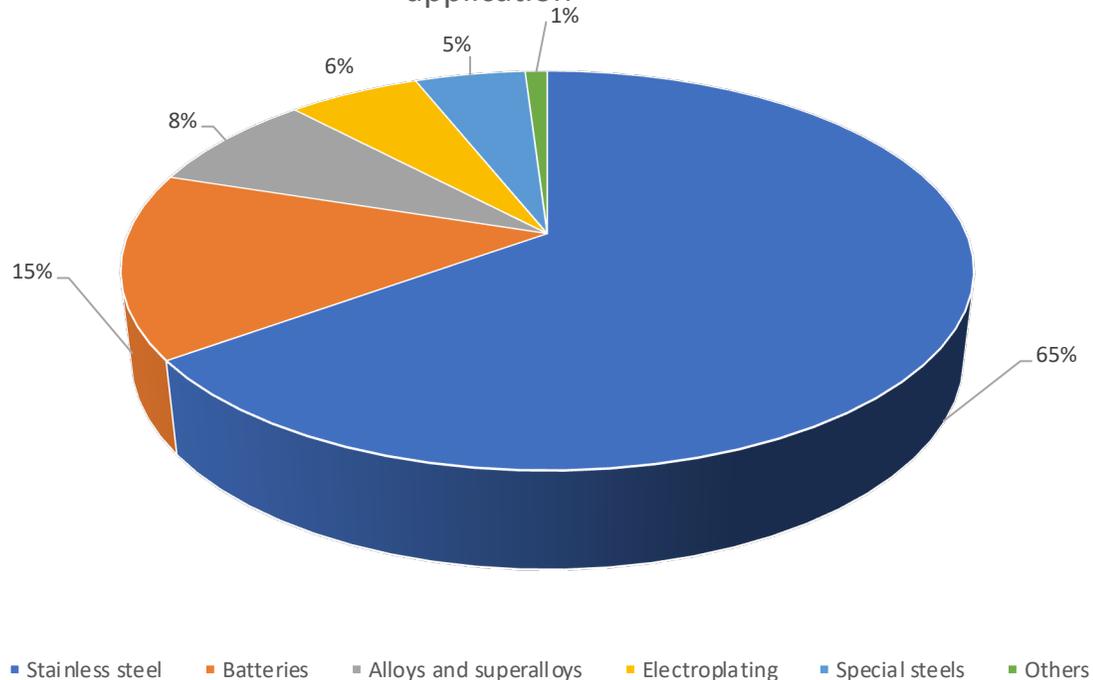


China banned the export of rare earth extraction and processing technology on December 21, 2023 to secure high-tech magnetic raw materials that are components of China's strategic industry.



WTO Strong Protests

Distribution of global primary nickel consumption in 2022, by application



Source: Nornickel, “Annual Report 2022”, page 29

The nickel ore export ban policy received strong protests from the European Union, which sued Indonesia through the World Trade Organization (WTO) in early 2021.

The provision prohibits any trade bans or restrictions beyond tariffs, taxes, or other levies, regardless of whether they are imposed through quotas, import or export licenses, or other measures. The EU relies on nickel as a primary raw material for stainless steel production, a cornerstone of the EU economy, closely linked to various sectors, including automotive, construction, electronics, and renewable energy.

Prohibition of the Export of Nickel Ore

The aim of this policy is to strengthen domestic processing facilities, bring back the added value of nickel's supply chain to the Indonesian economy and spur job creation and economic development in Indonesia.

The policies that implemented this ban are the following:

- Law Number 4/2009 on Coal and Mining
- Regulation of the Minister of Energy and Mineral Resources of the Republic of Indonesia Number 7/2012 concerning increasing added value of minerals through processing and refining of minerals activities of 6 February 2012
- Regulation of the Minister of Energy and Mineral Resources of the Republic of Indonesia Number 11/2012 amending Regulation of the Minister of Energy and Mineral Resources Number 7/2012 of 16 May 2012.

Prohibition of the Export of Nickel Ore

The policies that implemented this ban are the following:

- Regulation of the Minister of Energy and Mineral Resources of the Republic of Indonesia Number 20/2013 amending Regulation of the Minister of Energy and Mineral Resources Number 7/2012 of 1 August 2013
- Regulation of the Minister of Energy and Mineral Resources of the Republic of Indonesia Number 1/2014 concerning increasing added value of minerals through domestic processing and refining of minerals activities of 11 January 2014.
- Regulation of the Minister of Trade of the Republic of Indonesia Number 1/2017 concerning export provisions for processed and purified mining products of 9 January 2017
- Regulation of the Minister of Energy and Mineral Resources of the Republic of Indonesia Number 25/2018 concerning mineral and coal mining business of 3 May 2018.

Prohibition of the Export of Nickel Ore

The policies that implemented this ban are the following:

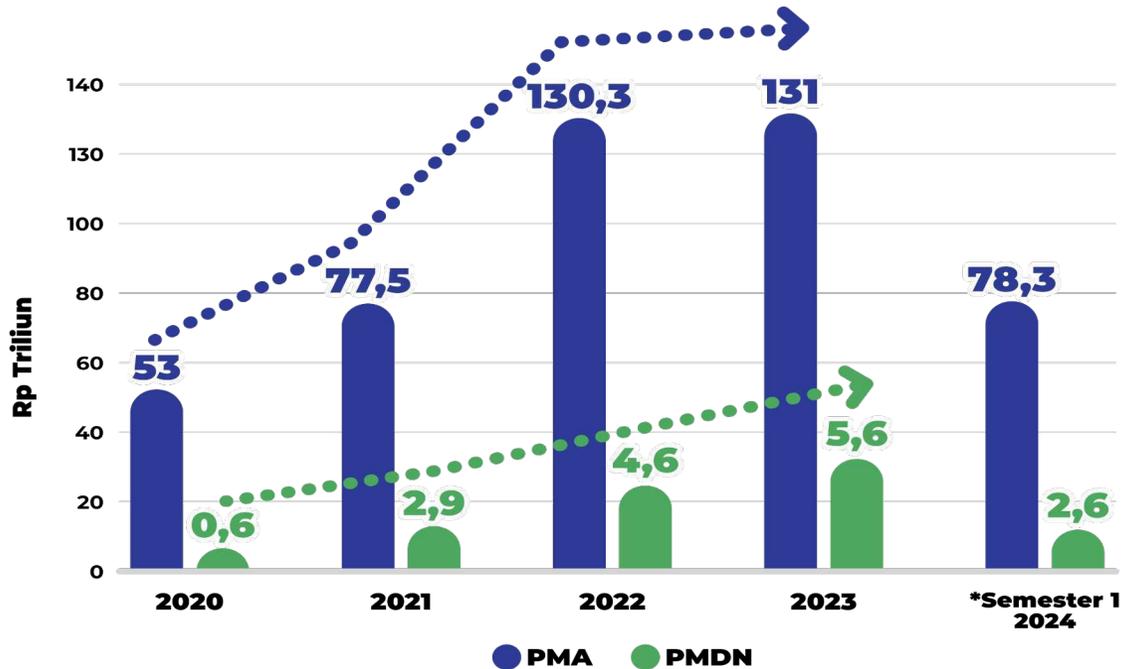
- Regulation of the Minister of Energy and Mineral Resources of the Republic of Indonesia Number 11/2019 amending Regulation of the Minister of Energy and Mineral Resources Number 25/2018 of 28 August 2019.
- Regulation of the Minister of Trade of the Republic of Indonesia Number 96/2019 on export provisions for processed and purified mining products of 30 December 2019.

Prohibition of the Export of Nickel Ore

The policies that implemented this ban are the following:

- Regulation of the Minister of Energy and Mineral Resources of the Republic of Indonesia Number 11/2019 amending Regulation of the Minister of Energy and Mineral Resources Number 25/2018 of 28 August 2019.
- Regulation of the Minister of Trade of the Republic of Indonesia Number 96/2019 on export provisions for processed and purified mining products of 30 December 2019.

Total Investment Realization 2020-2024

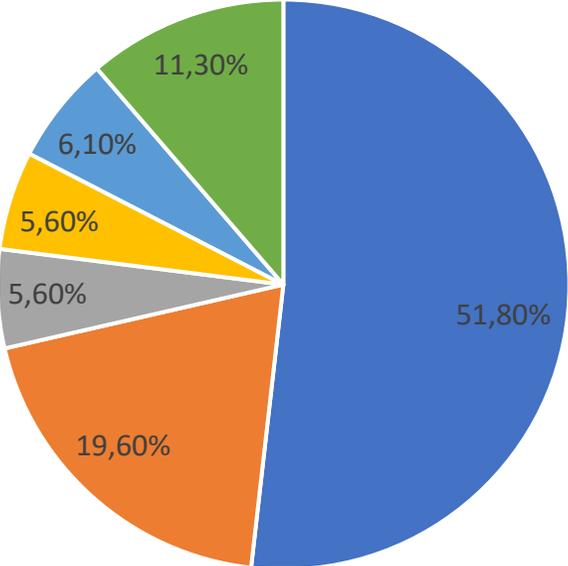


In 2023, the realization of investment in this commodity amounted to IDR 136.6 trillion, an increase of IDR 83 trillion compared to 2020. This increasing trend was caused by the policy of banning nickel ore exports imposed by the government since 2020.

Source: Ministry of Investment and Downstream/BKPM, 2024

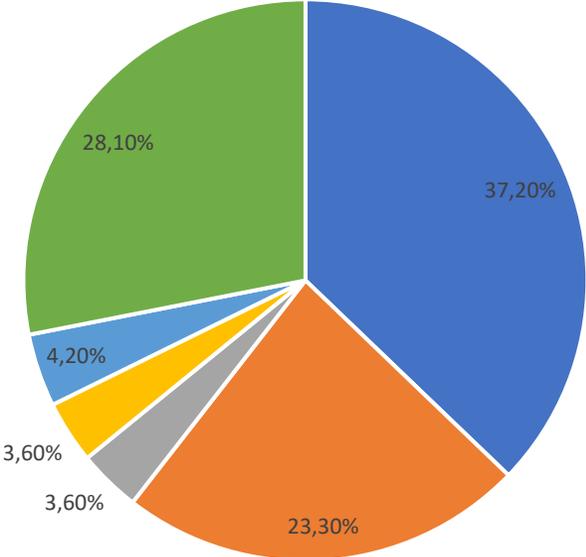
Indonesia is the largest nickel producer

Contribution to Total Global Nickel Mine Production in 2023



■ Indonesia ■ Other Country ■ Canada ■ Russia ■ New Caledonia ■ Phillipines

Contribution to Total Global Nickel Derivatives Production in 2023



■ Indonesia ■ Othe country ■ Australia ■ Finland ■ Russia ■ China

Source: International Energy Agency, 2024

Indonesia is a major player in nickel commodities in the world today with nickel mine production reaching 1,787 thousand tons (51.8 percent of total global production) and 1,414 thousand tons (37.2 percent of total global nickel derivative production) in 2023.

Nickel Becomes Important Raw Material in Clean Energy Application



Thousand
Ton Solar
Panels



Wind Power
Plant
105
Thousand
Tons



Other Uses
(stainless steel,
electronic equipment)
2,935
Thousand Tons



Electric
Vehicles
2,634
Thousand
Ton



Hydrogen
Technology
75
Thousand
Tons



Other Low Emission Energy
Generation
(bioenergy, geothermal, hydro,
nuclear)
270
Thousand Tons

The electric vehicle (EV) segment is a major driver of nickel consumption, reaching almost 50 percent by 2050. (bal production) and 1,414 thousand tons (37.2 percent of total global nickel derivative production) in 2023.

Preparation for Industrial Down Streaming

Nickel industry downstream regulation

Main Investment Regulations

- Law 25/2007 concerning Capital Investment as amended by Law 6/2023 concerning Job Creation
- Law 39/2009 concerning Special Economic Zones as amended by Law 6/2023 concerning Job Creation
- PP 41/2021 concerning Free Trade Areas and Free Ports
- Presidential Decree 10/2021 as amended by Presidential Decree 49/2021 concerning Investment Business Sectors

Sectoral Regulations

- Law 4/2009 as last amended by Law 6/2023 concerning Job Creation
- Law 3/2014 concerning Industry as amended by Law 6/2023 concerning Job Creation
- PP 61/2013 concerning Radioactive Waste Management
- PP 14/2015 concerning RIPIN 2015–2035
- PP 28/2021 as amended by PP No. 46 of 2023 concerning the Implementation of the Industrial Sector
- PP 96/2021 concerning the Implementation of the Industrial Sector
- PP 25/2024 concerning the Implementation of Mineral and Coal Mining Business
- Coordinating Minister for Economic Affairs Regulation 7/2021 as amended by Coordinating Minister for Economic Affairs Regulation 8/2023 concerning Changes to the List of National Strategic Projects
- Minister of Industry Regulation 6/2022 concerning Local content for Electric Vehicles

New Licensing Regulations

- PP 5/2021 concerning the Implementation of Risk-Based Business Licensing
- PP 6/2021 concerning the Implementation of Business Licensing in the Regions
- PP No. 16 of 2021 concerning Implementing Regulations of Law No. 28 of 2002 concerning Building Construction
- PP 21/2021 concerning the implementation of Spatial Planning
- PP 22/2021 concerning the Implementation of Environmental Protection and Management
- PP 42/2021 concerning Facilitation of National Strategic Projects
- Presidential Decree 49/2021 concerning Investment Business Sectors
- PerBKPM 4/2021 concerning Guidelines and Procedures for Risk-Based Business Licensing Services and Investment Facilities
- ATR Regulation 13/2021 concerning the Implementation of Conformity of Spatial Utilization Activities and Synchronization of Spatial Utilization Programs

Fiscal and Non-Physical Incentives

- PP 78/2019 concerning Income Tax Facilities for Investment in Certain Business Fields and/or in Certain Regions
- PP 40/2021 concerning the Implementation of Special Economic Zones
- Presidential Decree 55/2019 as amended by Presidential Decree 79/2023 concerning the Acceleration of the Battery-based Electric Vehicle Program
- Per BKPM 7/2020 concerning Details of Business Fields and Types of Pioneer Industry Production and Procedures for Providing Corporate Income Tax Reduction Facilities
- PMK 176/2009 as last amended by PMK 188/2015 concerning Exemption from Import Duty on Machinery, Goods and Materials for the Construction or Development of Industry in the Framework of Capital Investment
- PMK 78/2019 as last amended by PMK 96/2020 concerning Input Cost Standards for the 2020 Fiscal Year

Nickel Becomes Important Raw Material in Clean Energy Application



Thousand
Ton Solar
Panels



Wind Power
Plant
105
Thousand
Tons



Other Uses
(stainless steel,
electronic equipment)
2,935
Thousand Tons



Electric
Vehicles
2,634
Thousand
Ton



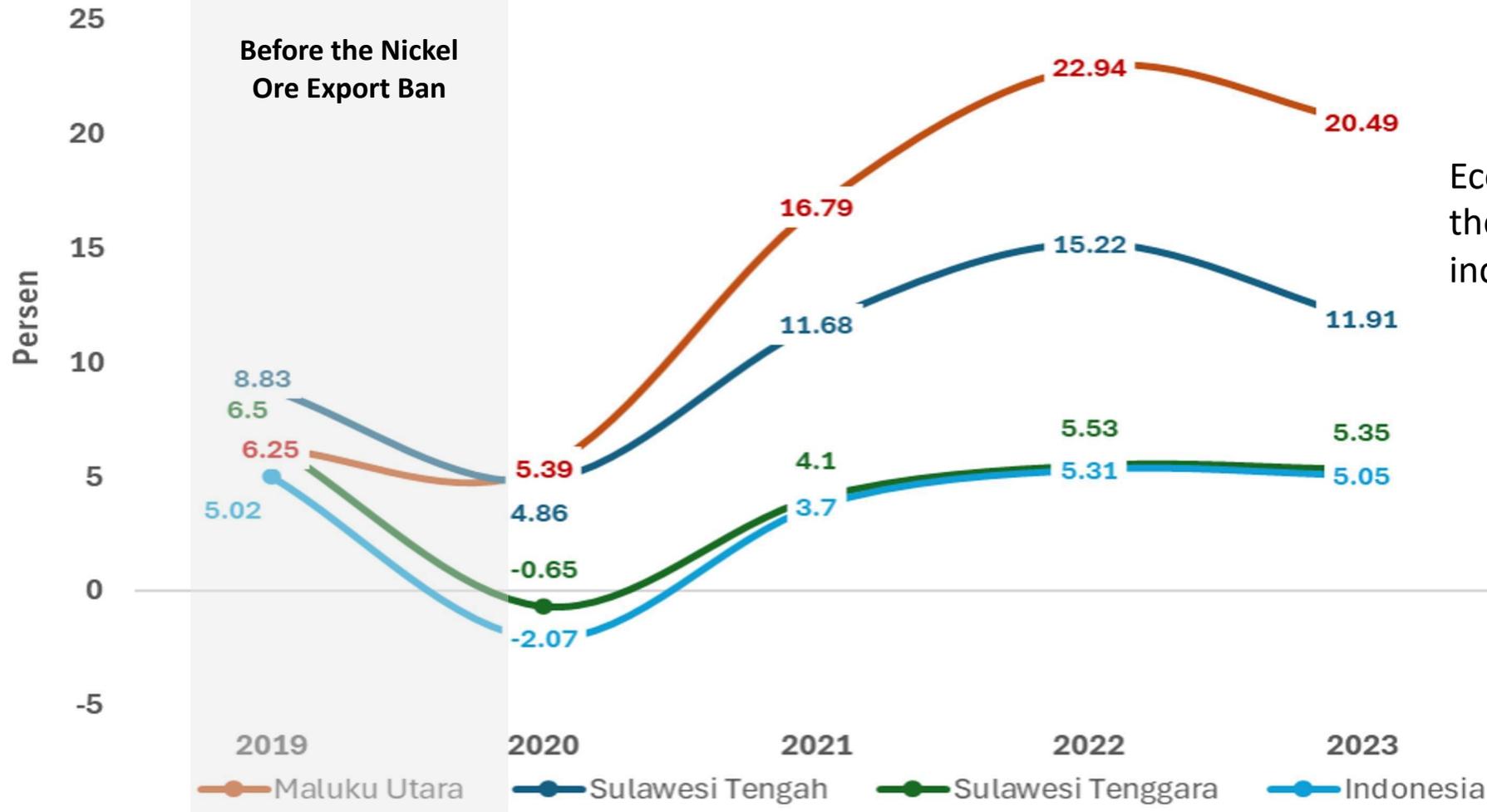
Hydrogen
Technology
75
Thousand
Tons



Other Low Emission Energy
Generation
(bioenergy, geothermal, hydro,
nuclear)
270
Thousand Tons

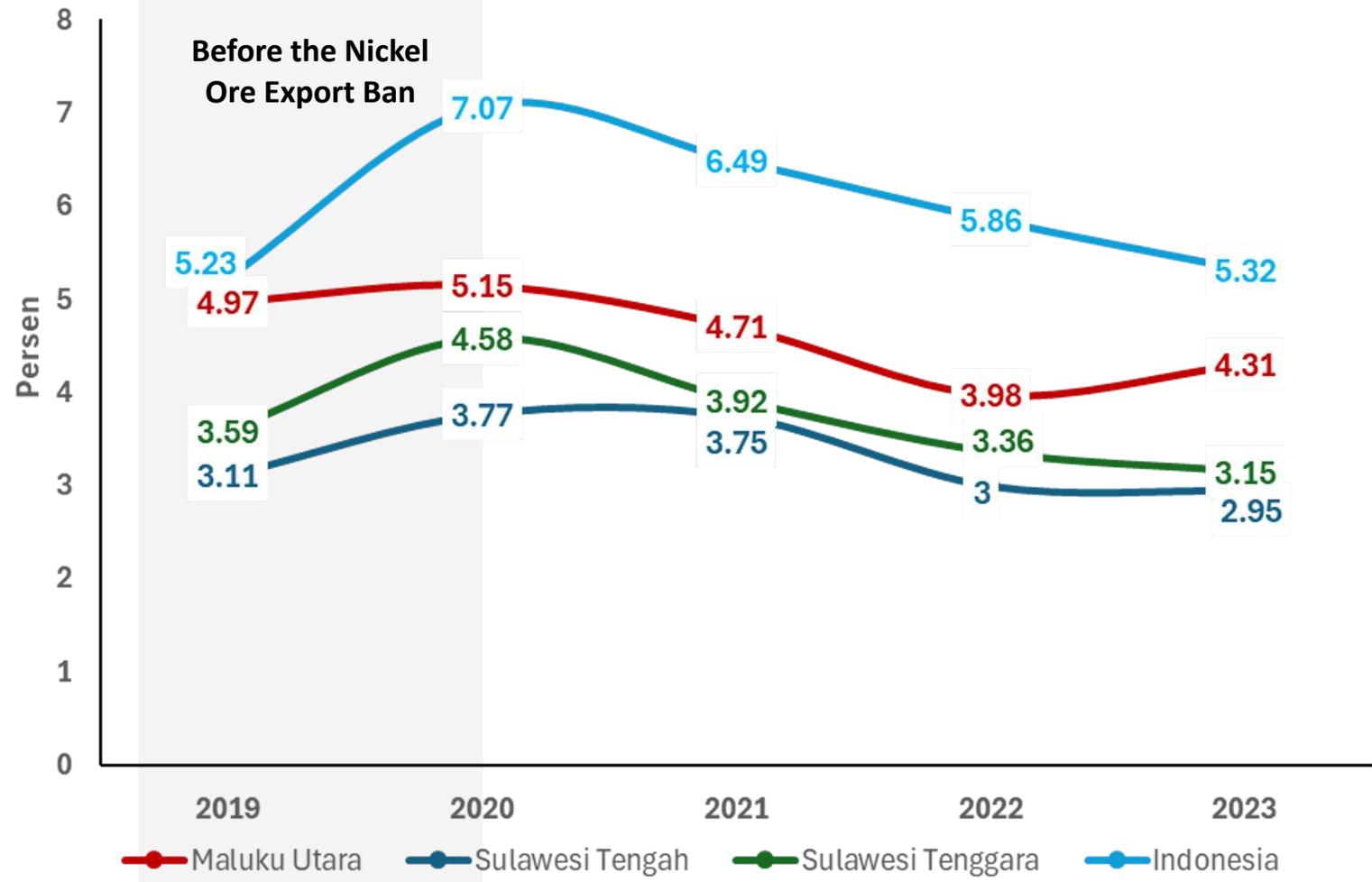
The electric vehicle (EV) segment is a major driver of nickel consumption, reaching almost 50 percent by 2050. (bal production) and 1,414 thousand tons (37.2 percent of total global nickel derivative production) in 2023.

Economic Growth of Nickel Downstream Provinces and National (Percent)



Source: Indonesian Statistics Berau, 2024

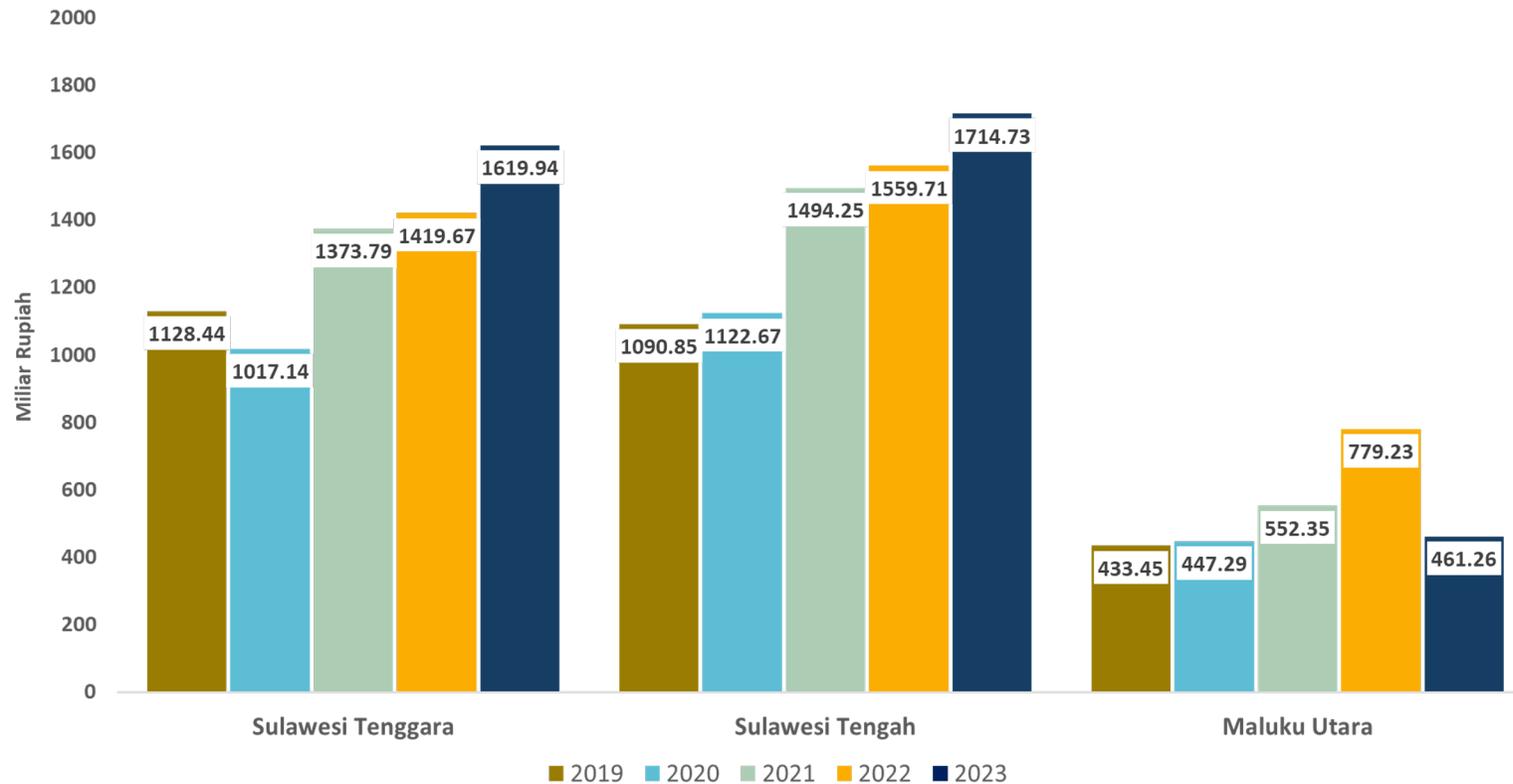
Open Unemployment Rate of Nickel Downstream Provinces and Nationally (Percent)



Unemployment rate decreased after nickel export ban as investment increases

Source: Indonesian Statistics Berau, 2024

Local Fiscal revenue

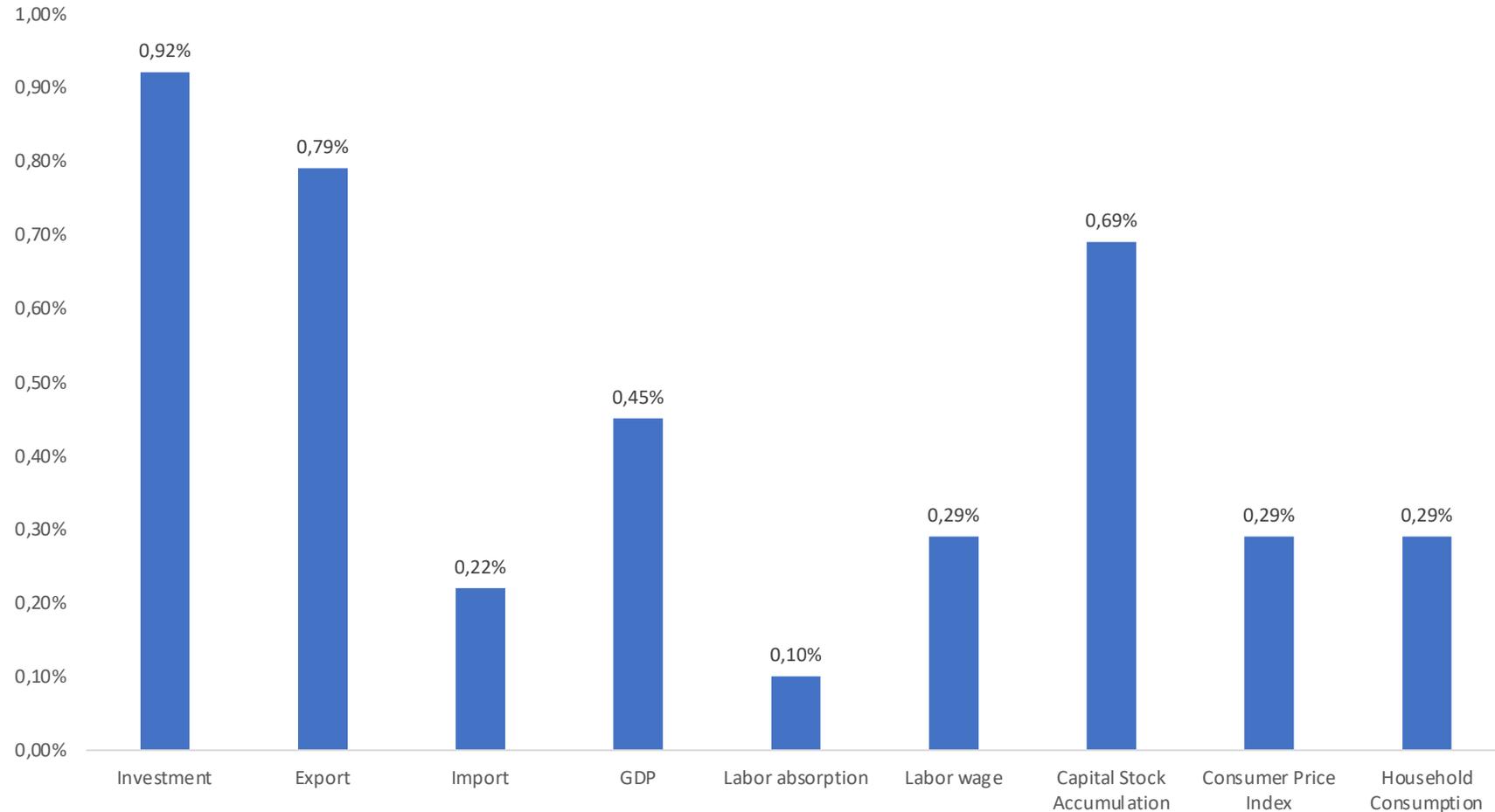


Local original income increases after nickel downstreaming

Source: Indonesian Statistics Berau, 2024

Impact of Downstream Nickel Industry

Simulation Results of the Impact of Nickel Downstreaming on Macroeconomic Indicators



Based on IRIO data processed using the CGE model, downstream nickel investment in Indonesia can provide additional economic growth of 0.45 percent.

Source: INDEF, 2024

Conclusion

- Considering nickel is a non-renewable mining material, and if it is taken continuously for tens of years or even hundreds of years in thousands of tons per year, it will eventually run out
- Downstream nickel industry has a positive impact on the Indonesian economy, it is appropriate for Indonesia to change its nickel export policy by processing itself into semi-finished raw materials or finished materials, with much higher added value.
- To avoid strong protests over the ban on raw commodities (nickel), Indonesia should look at loopholes in international trade regulations so that it can encourage downstreaming of the industry.

Thank You

esa@indef.or.id 

esthersriastuti@lecturer.undip.ac.id

esther.agustin.50 

+62 818 930 726 