

CHAPTER I

INTRODUCTION

A. BACKGROUND PROBLEM

As time goes on, the effects of globalization pushes nations around the world into competition with one another in all aspect such as economic, political, social, etc. As a result of globalization, borders between nations are becoming thinner, allowing for more unrestricted interaction. Especially in the economic sector, they compete to be the best. They conduct many kinds of activities, such as international trade, to promote the rate of economic growth. Countries and other participants in international trade have done many activities to keep growing their economies. International transactions, often known as inter-country transactions, or the commerce sector. Resources possessed by each nation different from one another, which leads to an increase in resource exchange between nations. Since a competitive nation is essential to live in an increasingly globalised environment that frequently exhibits unfairness, and a possibility for scamming (Qurnia N, 2021).

Nickel is one of the plentiful natural resources that Indonesia naturally has. Natural metal nickel has a glossy, white look similar to that of silver. It is the fifth most common element on Earth and is widely distributed throughout the planet's crust and core. With 4 million metric tones of nickel deposits out of the 80 million metric tones of global nickel reserves, Indonesia is the sixth ranks among the world's top nickel producers. This makes Indonesia one of the world's top nickel producers. National nickel reserves are estimated to be 698 million tones based on information currently held by the Indonesian Ministry of Energy and Mineral Resources (ESDM) (Hanina, 2022).As a result, Indonesia has a lot of natural resources in the form of nickel and exports nickel to many nations, including China and Europe, to fulfil their needs.

Indonesia frequently sells to many nations, including the European Union, which Indonesia is one of them as it is the world's top nickel exporter. Nickel is a non-ferrous base metal mineral with strong and ductile qualities that, when combined with other metals, produce a different quality and cannot be compared to other pure metals, which accounts for the high level of nickel exports. Bathroom faucets and showerheads frequently feature a dazzling metallic finish made of nickel. In addition, it is employed to coat coins, water pipes, magnetic iron, stainless steel, and one component of an electric car, the lithium-ion rechargeable battery. The world's consumption of nickel is rising along with the growing global trend towards electric vehicles, and it has an impact to Indonesia's export activities for nickel. Nickel with levels of less than 1.7% was very poorly absorbed or less popular in Indonesia before to 2017. In general, businesses use and export nickel with a content above 1.9%. Nevertheless, it transpires that this low-grade nickel is actually the best material for producing batteries for electric vehicles, and Indonesia is one of the nations that has the best raw material in the world for producing lithium ion batteries, namely producing low grade nickel or what is typically known as limonite (nickel content 0, 8–1.5%) (ES Yuneka, 2022).

Indonesia has 698 million tonnes of national nickel reserves, according to data currently kept on file by the Ministry of Energy and Mineral Resources (Pribadi, 2019). According to estimates, this amount will only be sufficient to cover the economic needs of refinery facilities for the next 7 to 8 years, while the demand for nickel is expected to increase to 20 million tonnes by 2020. This serves as the rationale behind the Indonesian government's decision to impose the nickel export restriction more quickly while still taking care to preserve the supply of nickel raw materials from the country's current smelters. Finally, the government of President Jokowi stopped nickel ore exports starting in January 2020. The Minister of Energy and Mineral Resources Regulation Number 11 of 2019, which modifies the Minister of Energy and Mineral Resources Regulation Number 25 of 2018 regulating Mineral and Coal Mining Businesses, contains this ban decision. Izatty and Suhartono, researchers in economics and public policy, contend that, in accordance with Law No. 4 of 2009 regulating minerals and coal, the policy

of prohibiting the export of nickel ore should have taken effect in 2014. In reality, however, the export embargo is implemented based on government income concerns that are adjusted for conditional export easing. Relaxation of raw material (concentration) exports is detrimental to nickel downstream and ineffective for the mandate to build smelters (Nursyabani, 2021)

However, the General Agreement of Tariffs and Trade (GATT) rules, such as articles X and XI, allowed the European Union to evaluate the actions taken by the Indonesian government to forbid nickel exports. On November 28, 2019, the European Union complained to the World Trade Organization (WTO) over the Indonesian government's decision to forbid the export of raw nickel. The European Union filed a lawsuit against Indonesia with the dispute settlement body due to Indonesia's lack of intervention and regulations regarding nickel processing. In order to govern trade conditions in international trade, the World Trade Organization (WTO) was established to organize for Trade and Development. The WTO settlement system, which is governed by the World Trade body (WTO), is an official international body that also governs regulations in the event of trade disputes between its member nations. In the multilateral trading system, the dispute settlement mechanism seeks to offer security and predictability (Hasudungan, 2022). While the European Union continues to complain object to the Indonesian Government's policy towards expediting nickel (ore) export banking, Indonesia has implemented a number of protection measures for the nickel sector in order to maintain trade liberalization. This is what motivated the author to explore in greater detail how the settlement of nickel exports between Indonesia and the European Union truly works and the function of the WTO organization in managing global trade to a stage that is advantageous to both sides

B. RESEARCH QUESTION

1. What is the role of World Trade Organization (WTO) in dealing with the international trade disputes between Indonesia and European Union regarding nickel ore?

C. THEORITICAL FRAMEWORK

This research uses the theory of Institutional Liberalism to observe the role of the WTO as an international organization to monitor, prevent and resolve problems regarding trade disputes involving Indonesia and the European Union (Sari & Yazid Bustami, n.d.).

International Organizational Theory

International organizations are defined by Clive Archer as formal and enduring structures established through agreements between at least two sovereign states with the aim of achieving the shared interests of member countries. According to Clive, one of the roles of international organizations is to act as an actor, meaning that international organizations can function autonomously and act in their capacity as international organizations, rather than merely executing the interests of their members (Prayuda et al., 2017). In his book "International Organizations," Clive Archer categorizes the roles of international organizations into three categories:

1. Instrument: An international organization serves as a tool for the domestic and foreign policies of its member states.
2. Arena: As an arena, an international organization provides a forum where members can gather to discuss issues, leading to agreements or rejections.
3. Actor: An international organization is seen as an independent actor capable of making decisions and policies without external influence (Sitohang & Suandika, 2023).

According to Le Roy A. Bennett in his book "International Organization: Principles and Issues," international organizations were initially established to maintain orderly regulations to achieve common goals and serve as a medium for international relations, ensuring the interests of each country in the context of international relations. Bennett outlines the functions of international organizations as follows (Mathematics, 2016):

1. Providing the necessary means for cooperation among countries, making significant benefits for all nations.

2. Offering multiple channels of communication between governments, facilitating the unification of ideas when issues arise.

From these perspectives, we can identify a common theme: the primary function of international organizations is to provide public goods, such as free markets, that benefit many people. More importantly, they help reduce uncertainty in the anarchic international system. The reality is that the global system is anarchic, where all countries, big or small, are fundamentally equal. No country can legally impose its will on another, nor can any country be certain that others will adhere to mutually agreed rules. Therefore, countries ultimately need international organizations to provide a sense of certainty (Mulya, 2019).

D. METHODOLOGY

The research method used in writing this essay is a qualitative method. Qualitative method is a research procedure that produces descriptive data in the form of written or spoken words from people or observable behavior. Descriptive research is a research method that describes all the data or conditions of the research subject or object, then analyzed and compared based on the reality of what is currently happening and then tries to provide solutions to these problems and can provide the latest information so that it is useful for the development of science and can be more applied on various problems. In general, descriptive research is a research activity that wants to create a picture or try to describe an event or symptom systematically, factually with accurate preparation. This qualitative method is used because of several considerations, namely that the qualitative method is more adaptive and easy to adapt when dealing with various realities, this method presents the nature of the relationship between researchers and respondents directly and this method is more sensitive so that it can adapt and sharpen the reciprocal influence on value patterns.

E. HYPOTHESIS

Based on the problem formulation and the theoretical framework described in the previous section, The WTO is an international organization that has a role as a forum or place that provides a media for solving problems and also

as a decision-making actor in resolving problems between Indonesia and the European Union regarding nickel.

F. WRITING SYSTEM

To make writing easier, the systematic writing in this thesis is divided into 3 interconnected parts, including:

Chapter I Introduction

This section consists of several parts in the form of introduction, problem formulation, theoretical framework, hypothesis, methodology, and writing system

CHAPTER II: Dynamic Trade Relations Between Indonesia and The European Union Through WTO

In this section it contains about the Establishment of WTO from the beginning of GATT and also the Dynamic Trade Relations Between Indonesia and European Union Regarding Nickel Ore.

CHAPTER III: Conflict Resolution Strategies Between Indonesia and The European Union in Nickel Trade

In this section it contains of Evaluating WTO's Role and Perspectives in the Indonesia-EU Nickel Ore Trade Dispute Using International Organization Theory, and Respon's of Indonesia and European Union about The Result of WTO's Panel

G. RESEARCH SCOPE

In order to limit the focus of discussion in this research to not go off topic with the title that has been presented, the author analyzes the role of the world trade organization on resolving the trade dispute between Indonesia and the European Union regarding nickel ore that has an impact to relation between both of countries . This research will also be assisted by information and analysis of previous writings.