

# Indonesia – China Economic Diplomacy in Nickel Downstreaming Policy: The Perspective of the Rule of Law and Sustainable Development

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## Abstract

**Purpose** – This study aims to analyze nickel downstreaming policies within the framework of Indonesia-China economic diplomacy and assess their compatibility with the principles of the rule of law, sustainable development, and Islamic economic law. This study stems from the need to provide a multidimensional analysis of the policy of banning nickel ore exports and accelerating the development of smelters as a national industrialization strategy.

**Method** – The method used is normative legal research with a legislative, conceptual, and analytical approach. Data was obtained through a literature study of legislation, scientific literature, and related policy documents, then analyzed qualitatively through legal interpretation and normative argumentation.

**Result** – The results of the study show that the downstreaming policy has constitutional legitimacy and strategically strengthens Indonesia's position in the global supply chain of critical minerals through investment cooperation with China. However, its implementation still faces challenges in the form of structural dependence on foreign investment, the risk of environmental degradation, and unequal distribution of economic benefits. From a sharia economic law perspective, downstreaming is normatively valid as long as the state fulfills its role as a public trustee that guarantees distributive justice and intergenerational sustainability.

**Implication** – This research contributes to the discourse on legal and economic governance by integrating the perspectives of the rule of law, sustainable development, and Islamic economic law into a unified analytical framework. Furthermore, the study provides practical recommendations for strengthening investment governance, harmonizing regulations, and promoting fairer benefit distribution mechanisms in nickel downstreaming policies.

**Keywords** : Economic Diplomacy, Nickel Downstream Industrialization, Sustainable Development



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## INTRODUCTION

A state governed by the rule of law has a number of fundamental characteristics, one of which is that all government decisions and actions must be based on the law before they are implemented. The principle of the supremacy of law is the main foundation of modern state administration. However, the concept of law is not something that can be easily defined in a single, simple way (Sugiyanto & Giyanto, 2001). Explaining the essence of law in simple terms is not an easy task, in line with Emanuel Kant's view that no legal scholar is capable of defining law accurately and definitively.

In the Indonesian context, the principle of the rule of law not only emphasizes certainty and order, but also contains moral and ethical dimensions aimed at realizing social welfare and justice. Law does not merely function as an instrument to control behavior, but also as a means to achieve the goal of a welfare state (Rumiarta, 2022). The principle of "Social Justice for All Indonesian People" is the philosophical basis for the management of natural resources, including strategic mineral resources such as nickel, which must be managed constitutionally for the greatest prosperity of the people.

Indonesia is one of the countries with enormous mineral resources. Based on data on seven major mining commodities, Indonesia ranks seventh in the world with strategic positions in tin, gold, silver, bauxite, nickel, copper, and coal (Gonzales, 2022). For nickel in particular, Indonesia even ranks first in the world with a contribution of around 37.04% to global production. The main nickel-producing regions include the islands of Sulawesi, Maluku and Halmahera, Papua, and Kalimantan.

Despite its enormous resource potential, the reality of Indonesia's mining industry management does not yet fully reflect the optimization of economic and social benefits for the community. This is where the gap between the current situation, which is characterized by the export of raw materials and limited added value, and the ideal situation, which is the constitutional mandate to achieve prosperity for the people through sustainable resource management, becomes apparent. This situation has prompted the state to intervene through export restriction policies and the strengthening of downstream programs.

Since the enactment of Minister of Energy and Mineral Resources Regulation No. 1 of 2014 and the provisions of Law No. 4 of 2009 Articles 102, 103, and 170 concerning Mineral and Coal Mining, the government has begun to restrict the export of raw minerals. However, the initial implementation of this policy was deemed ineffective and even caused losses in nickel ore management. The policy shift gained momentum under the Joko Widodo administration, which prioritized resource nationalism through the control of strategic resource exports (Lim et al., 2021).

The culmination of this policy was realized through Minister of Energy and Mineral Resources Regulation No. 11 of 2019, which explicitly prohibits the export of nickel ore and requires the construction of smelter facilities. This

policy was motivated by concerns over dwindling national reserves, increasing domestic consumption, and surging global demand due to the development of the electric vehicle industry. Through the amendment of Law No. 4 of 2009 to Law No. 3 of 2020, the state reaffirmed its role in managing mineral resources as non-renewable national assets (Siahaan et al., 2021).

A number of previous studies have examined the impact of nickel export bans and downstreaming policies. (Lim et al., 2021) highlight the implications of export policies on global nickel prices, while (Grasia, 2024) emphasizes the link between downstreaming and the 2060 Net Zero Emission target. (Marwanto et al., 2024) examined the role of Chinese investment in the development of the downstream industry, while (Sugianto, 2024) placed this policy within the framework of national development. However, most of these studies still focus on economic and sectoral policy aspects. The integration of the perspectives of the rule of law, Indonesia-China economic diplomacy, and sustainable development as a single analytical unit is still relatively limited.

This concept contributes to the discourse on sustainable development by highlighting the importance of balancing economic growth, social welfare, and environmental protection in evaluating nickel downstreaming policies. Within this framework, downstreaming is not only measured by its contribution to added value and investment, but also by its ability to ensure environmental sustainability, promote social justice, and support intergenerational equity. Therefore, downstreaming policy should be viewed as a public policy that must simultaneously fulfill ecological sustainability standards and generate broader social benefits.

Unlike previous studies, which generally highlight economic aspects or environmental commitments separately, this study integrates the perspective of sustainable development with the principles of the rule of law and Indonesia-China economic diplomacy. This approach presents an analytical novelty because it assesses downstreaming not only in terms of economic achievements, but also in terms of legal legitimacy, governance, and socio-environmental implications in a comprehensive manner.

In addition to the perspectives of the rule of law and sustainable development, nickel downstreaming policies are also relevant to analyze through a Sharia economic law approach. Sharia economic law offers a normative framework that places nickel management as a public trust, not merely an object of regulation and investment. If nickel is understood as *al-milkiyyah al-'ammah*, then the main question is not only the legality of the export ban, but whether the state has managed these resources fairly, without exploitation, and truly in the interests of the community.

Within the framework of *maqāṣid al-shari'ah*, downstreaming can only be justified if it increases national economic capacity (*ḥifẓ al-māl*) without sacrificing environmental and community safety (*ḥifẓ al-nafs*) and generational sustainability (*ḥifẓ al-nasl*). This perspective broadens the standards for evaluating policies from mere growth and administrative compliance to distributive justice and the moral responsibility of the state.

The relevance of this approach is even stronger in the context of investment cooperation with China. Economic interdependence has the potential to create bargaining imbalances if it is not balanced with effective state control and fair contract design. Thus, Sharia economic law serves as a normative test to assess whether downstreaming truly strengthens economic sovereignty or instead creates new structural dependencies. This approach also contributes to the novelty of research in enriching the study of natural resource law and Indonesia-China economic diplomacy. Based on this description, this study aims to answer several main questions, namely: (1) how is the Indonesia-China diplomatic relationship in the context of nickel sector cooperation; (2) how is the implementation of nickel downstreaming policy from a legal perspective; (3) how is Indonesia-China cooperation in nickel downstreaming from a sustainable development perspective; and (4) how does Sharia economic law review nickel downstreaming policy.

This study aims to analyze the nickel downstreaming policy normatively within the framework of Indonesia-China economic diplomacy and assess its compatibility with the principles of the rule of law and the mandate of the constitution. In addition, this study aims to evaluate the contribution of investment cooperation to equitable and sustainable national development. Theoretically, this study is expected to enrich the study of natural resource law and investment law. Practically, the results of this study are expected to serve as a reference for the government in formulating nickel downstreaming and investment policies that are oriented towards long-term national interests.

## **METHOD**

This study is a normative legal study that aims to examine nickel downstreaming policies and Indonesia-China economic diplomacy cooperation within the framework of the rule of law and sustainable development. The approaches used include the statute approach, the conceptual approach, and the policy approach. The object of study in this research is legal materials, so that the population and sample of the research are not respondents, but primary, secondary, and tertiary legal materials selected purposively according to their relevance to the research problem. Primary legal materials include the 1945 Constitution of the Republic of Indonesia, Law Number 4 of 2009 concerning Mineral and Coal Mining and its amendments, as well as implementing regulations related to nickel downstreaming policies.

Data collection was carried out through library research by tracing relevant legislation, scientific literature, and official documents. The data obtained was then analyzed qualitatively using descriptive-analytical methods through legal interpretation and juridical reasoning to examine the compatibility of the nickel downstreaming policy with the principles of the rule of law and the dynamics of Indonesia-China economic diplomacy. The results of the analysis were presented systematically to answer the research questions and achieve the research objectives.

## **DISCUSSION/RESULT**

### **Indonesia-China Diplomatic Relations**

Diplomatic relations between Indonesia and China have historically experienced ups and downs influenced by domestic political factors and the international geopolitical constellation. During Soekarno's administration, the two countries signed a friendship pact in 1961 that strengthened bilateral relations within the framework of solidarity among developing countries. However, relations deteriorated during the Soeharto era due to domestic political dynamics following the events of 1965 and rising anti-communist sentiment, which led to the freezing of diplomatic relations in 1967.

Diplomatic relations were only normalized in 1990, driven by pragmatic economic considerations and Indonesia's need to expand international cooperation amid economic crisis. Since then, bilateral relations have continued to strengthen under the administrations of B. J. Habibie, Abdurrahman Wahid, Megawati Soekarnoputri, Susilo Bambang Yudhoyono, and Joko Widodo. This strengthening has mainly focused on the economic, trade, and strategic investment sectors (Helga Yohana Simatupang, 2024).

During President Joko Widodo's administration, Indonesia-China relations have intensified significantly, particularly in economic cooperation and infrastructure investment. Since his inauguration on October 20, 2014, at least 36 Memoranda of Understanding (MoUs) have been signed between the two countries, covering the sectors of trade, education, culture, tourism, and energy (Tabrani, 2023). This strategic commitment was reflected in President Joko Widodo's decision to make China the destination of his first overseas visit on November 8, 2014, to attend the APEC Summit in Beijing. This visit confirmed China's position as a strategic partner in Indonesia's foreign policy orientation based on national economic interests (Fauziyyah & Paksi, 2023).

From China's perspective, Indonesia is seen as a long-term strategic partner in the Southeast Asian region. Communication between the parliaments of the two countries, including between the Vice Chair of the Standing Committee of the National People's Congress of China and the Indonesian House of Representatives, demonstrates efforts to institutionalize a mutually beneficial partnership. This cooperation is not only limited to trade and investment, but also covers the fields of science and technology, youth, and climate change (Cristina, 2022).

Strengthened cooperation is also evident in the energy sector. At the 5th Indonesia-China Energy Forum (ICEF V) held in Jakarta, the Ministry of Energy and Mineral Resources (ESDM) of the Republic of Indonesia and the National Energy Administration of the People's Republic of China signed a Memorandum of Understanding on energy cooperation. The scope of cooperation includes the construction of power plants, the development of the electricity sector, upstream and downstream oil and gas activities, the development of new and renewable energy, energy conservation, coal development and processing (including coal gasification and liquefaction),

energy trade, and the harmonization of technical energy standards (Fajar et al., 2021).

The strengthening of economic relations is directly related to Indonesia's natural resource downstreaming policy, particularly for nickel commodities. The Indonesian government has officially banned the export of low-grade nickel ore (below 1.7%) since January 2020 through Minister of Energy and Mineral Resources Regulation No. 11 of 2019 as the second amendment to Minister of Energy and Mineral Resources Regulation No. 25 of 2018. This policy aims to preserve national reserves, encourage domestic processing and refining-based industrialization, and ensure the sustainability of raw material supplies for domestic industries (Jason et al., 2024).

Normatively, the downstreaming policy is based on Article 103 paragraph (1) of Law -Law Number 4 of 2009 concerning Mineral and Coal Mining (Minerba Law), which requires holders of Mining Business Permits (IUP) and Special Mining Business Permits (IUPK) to process and refine mining products domestically. The strengthening of the implementation of this policy is also supported by strict supervision of nickel exports by the Investment Coordinating Board (BKPM), as a form of the state's commitment to optimizing the added value of natural resources.

The urgency of the nickel downstreaming policy is increasingly relevant in the context of the global energy transition. Nickel is a key component in the production of lithium-ion batteries used in electric vehicles. With the increasing global adoption of electric vehicles as part of efforts to reduce greenhouse gas emissions and dependence on fossil fuels, the demand for nickel has increased significantly. With production reaching around 1,600,000 metric tons in 2022 according to data from the U.S. Geological Survey (2023), Indonesia ranks as the world's largest nickel producer (Rosada et al., 2023).

### **Implementation of Nickel Downstreaming Policy from a Rule of Law Perspective**

The implementation of nickel downstreaming policies from a rule of law perspective must begin with affirming the concept of the rule of law as the main analytical framework. The rule of law embodies the principle that all government actions must be based on law, not arbitrary, guarantee legal certainty, and be subject to accountability mechanisms. In a modern rule of law state, formal legality must be accompanied by substantive legitimacy, namely alignment with the public interest and social justice. In the Indonesian context, this principle is affirmed in Article 1 paragraph (3) and Article 33 paragraph (3) of the 1945 Constitution of the Republic of Indonesia, which places the management of natural resources within the framework of the people's prosperity.

Nickel downstreaming is a manifestation of Indonesia's economic constitution, which mandates the active role of the state in the control of strategic resources (Setiawan, 2025). The state does not only function as a passive regulator, but as an actor that regulates (*regelen*), administers (*besturen*), manages (*beheren*), and supervises (*toezichthouden*). From the

perspective of the rule of law, the downstreaming policy has constitutional legitimacy because it aims to increase national added value and reduce dependence on raw material exports.

Normatively, this policy is legally based on Law No. 4 of 2009, which was later amended by Law No. 3 of 2020. The provisions regarding the obligation to process and refine minerals domestically reflect the principle of legality as a central element of the rule of law. The ban on nickel ore exports is not merely a protectionist policy, but a legally designed industrialization strategy to strengthen national competitiveness in the global electric vehicle battery supply chain (Nooraini Dyah Rahmawati, 2025).

In line with the government's push for the development of electric vehicles, the ban on nickel ore exports came into effect in January 2020. However, in the early stages of implementation, most smelters in Indonesia were still oriented towards the production of stainless steel raw materials (Barizi & Triarda, 2023). Indonesia does not yet have High Pressure Acid Leach (HPAL) technology-based refining facilities capable of processing low-grade nickel (limonite) into first-class nickel for electric vehicle battery needs. This technological gap is an initial challenge to the effectiveness of downstreaming.

These limitations have encouraged foreign investment, particularly from China. From the perspective of national interests as explained by Nuechterlein, countries will adjust their foreign policies to ensure economic sustainability and global influence. China views the nickel export ban as a strategic opportunity to secure the supply of raw materials for the battery industry through direct investment in Indonesia (Riedho, 2024). Thus, Indonesia-China economic diplomacy has developed within a framework of mutual interdependence.

Chinese investment has been realized, among other things, through the construction of an HPAL facility by PT Halmahera Persada Lygend. This facility is a pioneer in the processing of limonite nickel into Mixed Hydroxide Precipitate (MHP) in Indonesia (Qothrunnada et al., 2022). This investment shows that the downstreaming policy has successfully encouraged technology transfer and strengthened domestic industrial capacity. From a legal perspective, foreign investment must comply with national regulations and be closely monitored so as not to cause structural dependence.

Under Joko Widodo's administration, smelter development has accelerated significantly. The increase in the number of smelters has contributed to higher production and Indonesia's position in the global nickel market (Rosada et al., 2023). Indonesia's share of production has increased dramatically in recent years (Anandia, 2024). However, from a rule of law perspective, the expansion of this industry must remain within a framework of transparent, accountable, and sustainable governance.

From an international law perspective, the downstreaming policy faces challenges through disputes with the European Union at the World Trade Organization. Restrictions on raw mineral exports are questioned within the

framework of the quantitative restriction principle in the General Agreement on Tariffs and Trade (GATT). The dispute reflects the tension between resource management sovereignty and international trade commitments (Amalo & Hardi, 2024). In this context, the rule of law requires Indonesia to formulate policies that are proportional and in line with its international obligations.

Harmonization between national law and international obligations is an important prerequisite for maintaining the legitimacy of downstreaming policies. The rule of law in a substantive sense also requires the protection of the right to a good and healthy environment. Therefore, the implementation of downstreaming must take into account aspects of sustainability, environmental impact management, and corporate social responsibility as part of accountable mining governance (Delyarahmi et al., 2024).

### **Indonesia-China Cooperation in Nickel Downstreaming from a Sustainable Development Perspective**

Indonesia-China cooperation in the nickel downstream sector is part of a national economic transformation strategy aimed at increasing the added value of natural resources. The policy of banning nickel ore exports since 2020 has been an important turning point in strengthening mineral-based industrialization. In this context, Chinese investment plays a central role in the construction of smelters and the strengthening of national production capacity (Rosada et al., 2023). This policy is not only economic in nature, but also strategic in the context of international diplomacy and global supply chain restructuring.

Economically, nickel downstreaming contributes significantly to increasing state revenue, creating jobs, and growing new industrial areas, particularly in Eastern Indonesia. Cooperation with Chinese companies has accelerated the development of industrial infrastructure, which was previously constrained by limited capital and technology (Agung Tri Putra, 2023). However, dependence on foreign investment also poses challenges related to technology transfer and the country's bargaining position in the long term.

From an economic diplomacy perspective, nickel downstreaming has become a strategic instrument for Indonesia in strengthening its bilateral relations with China. The government is taking advantage of the momentum of global energy transition and the need for raw materials for electric vehicle batteries to increase Indonesia's bargaining power in international economic cooperation (Fahik et al., 2024). Thus, the downstreaming policy is not solely domestic-oriented, but also part of Indonesia's positioning strategy in critical mineral geopolitics.

Furthermore, economic diplomacy following the ban on nickel ore exports shows a paradigm shift from being a raw material exporter to a producer of semi-finished goods and nickel-based end products (Anindita et al., 2025). This strategy strengthens Indonesia's position in the global supply

chain of the electric vehicle industry, while opening up opportunities for integration with the global battery industry ecosystem.

However, the acceleration of downstreaming also has environmental implications that cannot be ignored. Nickel mining and processing activities have the potential to cause deforestation, water pollution, and coastal ecosystem degradation. Several studies have found that the increase in smelter production capacity has not been fully offset by adequate environmental management standards, creating tension between economic growth and ecological sustainability.

Within the framework of sustainable development, a low-carbon technology approach is urgently needed. The use of coal-based energy in smelter operations is considered contradictory to the green economy narrative. Therefore, the development of renewable energy-based smelters is a strategic solution to reduce carbon emissions and increase the competitiveness of Indonesia's nickel industry in the global market (Octaviana Randrikasari, Suwardi, 2025). This technological transformation is a prerequisite for downstreaming to be in line with decarbonization commitments.

On the other hand, the green economy narrative in the mining sector is often criticized as development rhetoric that does not fully favor local communities (Syahputra et al., 2025). Studies show that there are citizenship issues, such as limited participation of affected communities in the policy-making process and unequal distribution of economic benefits. This shows that the social dimension of sustainable development still needs to be strengthened.

From a green political economy perspective, Chinese investment in Indonesia's nickel sector also reflects the dynamics of new extractivism in the global energy transition (Helga Yohana Simatupang, 2024). Although it claims to support the clean energy agenda through the production of battery raw materials, practices in the field still show dependence on a development model based on intensive exploitation of natural resources.

In addition, geopolitical aspects cannot be separated from this cooperation. China's nickel investments in Eastern Indonesia demonstrate its strategic interest in securing critical mineral supplies for its domestic industry. This situation places Indonesia in a strategic position, but also makes it vulnerable to the dynamics of competition between major powers in the global economy.

In the context of natural resource nationalism, downstreaming policies can be understood as the state's attempt to regain control over the value chain of strategic commodities (Barizi & Triarda, 2023). By limiting raw material exports and encouraging domestic processing, Indonesia is seeking to increase its economic sovereignty and strengthen the legitimacy of its national industrial policies amid international trade pressures.

## Sharia Economic Law Review of Nickel Downstreaming Policy

Indonesia's nickel downstreaming policy can be enriched through the perspective of Islamic economic law to strengthen its constitutional legitimacy while ensuring its compatibility with Islamic values. In Islamic economics, mineral resources such as nickel fall under the category of *al-milkiyyah al-ammah* (public ownership), whereby the state acts *as nazir* (trustee) representing the interests of the people, rather than as the absolute owner of natural resources (Istishan, 2025). This concept is in line with Article 33 paragraph (3) of the 1945 Constitution, which affirms state control over natural resources for the greatest prosperity of the people, which in the sharia perspective is interpreted as a collective trust of the people (Wulandari, 2024).

The principle of public ownership in sharia is based on the hadith of the Prophet Muhammad SAW regarding shared ownership of strategic resources, which can be conceptually expanded to include the management of minerals such as nickel (Khairuddin, 2024). The policy prohibiting the export of nickel ore through ESDM Regulation No. 11 of 2019 reflects the state's role as a manager that encourages domestic processing in order to increase added value. However, the effectiveness of this role depends on substantive state oversight of mining permits and smelters, not merely administrative oversight, especially in the context of the dominance of foreign investment from China (Fikri, 2024).

From the perspective of *maqāsid al-shari'ah*, nickel downstreaming is in line with the principle of *hifz al-mal* because it encourages economic growth and state revenue through the processing of minerals into high value-added products. This policy can also be justified as a development necessity (*maslahah hājiyyah*) within the framework of sustainable industrialization. However, its implementation must take into account the principle of *hifz al-nafs*, particularly the protection of public health and environmental safety in mining industrial areas (Shidqiyah et al., 2026).

Distributive justice is a key principle in Islamic economics. Economic growth that is not accompanied by equitable distribution of benefits is considered structural injustice. Although downstreaming has improved Indonesia's position in the global nickel supply chain, the economic benefits have not been fully felt by the local community due to dependence on foreign investment and the weak bargaining position of local communities (Nasrullah et al., 2025). Therefore, downstreaming policies need to be accompanied by mechanisms for the fair distribution of benefits through the strengthening of royalties, regional profit-sharing schemes, and mining zakat instruments.

The influx of foreign investment has the potential to conflict with the principle of public ownership if it leads to effective control of resources by external parties. To prevent this, cooperation schemes based on sharia principles, such as *mudharabah* with the state as *rabb al-mal*, can be used to protect the public interest while utilizing foreign technology transfer. Strict supervision of investment contracts is necessary to avoid *gharar* and inequality between the parties (Sawalni, 2025).

The aspect of environmental protection as part of contemporary *maqāṣid* requires nickel downstreaming to be carried out sustainably. Greenwashing practices and dependence on coal-based energy are contrary to the principle of *maṣlahah* because they increase the risk of environmental damage. Therefore, strengthening the use of low-emission technology needs to be part of the downstreaming policy in order to be in line with sharia principles and the national energy transition agenda (Hamdani, 2018).

The interests of local communities in nickel-producing regions need to be protected through meaningful participation in decision-making and fair distribution of benefits, as a form of protection for future generations (*ḥifẓ al-nasl*). Land conflicts and the burden of environmental externalities demonstrate the weakness of distributive justice, thus requiring improvements in governance so that downstream policies do not deepen social inequality (Ayuningtyas & Hidayat, 2025).

The role of the state as a representative of public interests needs to be strengthened through the support of religious norms, including through the DSN-MUI fatwa on natural resource management based on sharia principles, which complements the constitutional legitimacy of downstreaming policies. In addition, independent audit mechanisms for investment cooperation need to be strengthened to ensure transparency and effectiveness of technology transfer.

The nickel downstreaming policy has a basis of sharia legitimacy if the state consistently carries out its role *as naẓir*, by ensuring substantive supervision, equitable distribution of economic benefits, and environmental protection. The integration of this sharia economic law perspective strengthens the rule of law and sustainable development framework in the management of nickel resources in Indonesia.

## **CLOSING**

Diplomatic relations between Indonesia and China have transformed from ideological dynamics to a strategic partnership based on national economic interests. The intensification of cooperation in the energy, trade, and investment sectors, particularly in nickel downstreaming, confirms that economic diplomacy has become a key instrument of Indonesia's foreign policy. However, this partnership must be managed in a balanced manner so as not to create structural dependence, but rather to strengthen Indonesia's bargaining position in the global supply chain of critical minerals while remaining oriented towards long-term national interests.

The nickel downstreaming policy has constitutional and legal legitimacy as a manifestation of the rule of law and the mandate of Article 33 of the 1945 Constitution of the Republic of Indonesia regarding state control over natural resources. The ban on nickel ore exports and the obligation to build smelters are legitimate industrialization strategies to increase added value and national competitiveness. However, their effectiveness is highly dependent on consistent law enforcement, harmonization of national and international

regulations, and transparent and accountable governance, so that the policy is not only formally valid, but also substantively fair and sustainable.

The contributes of Indonesia–China cooperation in nickel downstreaming by highlighting that, while the collaboration contributes to economic growth and the strengthening of national industry, it also raises ecological, social, and geopolitical challenges. Therefore, nickel downstreaming should not be evaluated solely based on increased production and investment, but should also incorporate the principles of sustainable development, including the use of low-carbon technologies, environmental protection, and the equitable distribution of benefits for local communities. Through this approach, downstreaming policies can contribute to economic transformation that is not only productive but also inclusive and socially equitable.

Nickel downstreaming in Indonesia can be strengthened through the perspective of Sharia Economic Law, which places nickel as *al-milkiyyah al-'ammah* with the state as *nazir*. Within the framework of *maqasid al-shari'ah*, this policy is normatively valid as long as it promotes *hifz al-mal*, and guarantees *hifz al-nafs* and *hifz al-nasl* through environmental and social protection. From the aspect of distributive justice, foreign investment has the potential to cause inequality of benefits if it is not accompanied by strengthening the bargaining position of the local community. The Indonesia–China cooperation reflects asymmetrical economic diplomacy and risks creating structural dependence.

#### **Declaration of Conflict of Interest**

The authors declare no conflict of interest associated with the publication of this article.

#### **Author Contributions (Credit Author Statement)**

**Alief Qurratul 'Ain Musafa'**: Conceptualization, data collection, data analysis, writing – original draft, supervision, review & editing.

**Dani Muhtada**: Methodology & writing.

All authors have approved the final manuscript and take responsibility for its content.

#### **Generative AI Statement**

Generative AI tools were used solely for language editing and clarity improvement. All research content, analysis, and conclusions are the sole responsibility of the authors.

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