

Analysis of Regional Economic Stabilization Strategy of Southeast Sulawesi in the Era Nickel Industrialization

Jalaluddin Rum¹, Dita Damayanti², Muhammad Rofik³, Muhammad Zulhijjah⁴

^{1,2,3,4}Pascasarjana Institut Agama Islam Negeri Kendari, Indonesia

E-mail : ¹Jalaluddinrum@gmail.com, ²ditadamayanti231@gmail.com, ³mubrof90@gmail.com,

⁴muhhammadzulhijjah01@gmail.com

Keywords:

Economic stabilization, nickel industrialization, Southeast Sulawesi, resource management, sustainable development

Abstract

This study examines the economic stabilization strategies implemented in Southeast Sulawesi during the nickel industrialization period, a crucial phase that significantly impacted the local and national economies of Indonesia. The main objective of the study is to analyze the various stabilization strategies used and evaluate their effectiveness in addressing the challenges arising from accelerated industrialization, particularly the fluctuations in nickel prices in the global market. The method used is library research, reviewing scientific literature, government reports, academic journals, and industry studies as relevant secondary data sources. The analysis shows that nickel industrialization has made positive contributions in the form of increased employment and infrastructure development, but also poses a number of serious challenges, such as environmental degradation, income inequality, and high economic volatility. This study recommends diversification of economic activities, increasing the capacity and skills of the local workforce, and implementing sustainable development policies as strategic steps to strengthen economic stabilization in the region. This study emphasizes the importance of a balanced approach to natural resource management so that economic growth does not sacrifice environmental sustainability and social justice. The research findings are expected to provide valuable insights for policymakers and stakeholders in designing and implementing adaptive and sustainable economic strategies in resource-rich regions such as Southeast Sulawesi. Overall, this research contributes to the understanding of how regions can manage the complexities of industrialization while maintaining economic stability and resilience.

INTRODUCTION

Nickel industrialization in Southeast Sulawesi is a transformative economic phenomenon with far-reaching implications for Indonesia's regional and national economies. As one of the world's leading nickel producers, Indonesia holds a strategic position in the global nickel supply chain. Southeast Sulawesi, in particular, has emerged as a key hub for nickel mining and industrial activities due to its rich reserves of this valuable resource. Nickel, a key component in stainless steel production and a crucial material for lithium-ion batteries, has grown in global demand due to the rapid expansion of the electric vehicle (EV) market and renewable energy technologies. (Abdullah & Sumner, 2025) This surge in global demand has positioned regions like Southeast Sulawesi at the forefront of industrial growth and economic restructuring.

The significance of nickel industrialization in Southeast Sulawesi is multifaceted. On the one hand, it contributes substantially to the gross regional domestic product (GRDP) and increases Indonesia's export earnings, thus strengthening its status as a global economic player. On the other

hand, it has spurred infrastructure development, created jobs, and attracted significant foreign and domestic investment.(Sunuhadi et al., 2024)For example, the establishment of nickel smelters and other downstream processing facilities would not only expand local industrial capacity but also reduce dependence on raw material exports, in line with Indonesia's broader economic diversification goals.(Michel, 2024). As highlighted by Pambudi(2025), this development underscores the strategic importance of Southeast Sulawesi as the backbone of Indonesia's industrialization agenda.

However, the region's rapid nickel industrialization has brought with it a number of challenges. Environmental degradation, social conflict, income inequality, and dependence on volatile global commodity markets have emerged as pressing concerns that threaten the sustainability of this economic transformation.(Personal, 2024). Furthermore, while nickel industrialization has undoubtedly created opportunities, the uneven distribution of its benefits raises questions about the effectiveness of current economic policies and the need for a robust stabilization strategy. Against this backdrop, the importance of studying economic stabilization in the context of nickel industrialization becomes clear. Understanding how to mitigate risks and optimize opportunities is crucial to ensuring the long-term prosperity of Southeast Sulawesi and its people.

Nickel industrialization in Southeast Sulawesi presents a dual narrative of challenges and opportunities. On the one hand, the region has witnessed extraordinary economic growth driven by the expansion of the nickel mining and processing industry. As noted by Tritto(2023)The establishment of integrated industrial zones, such as the Morowali Indonesian Industrial Zone (IMIP), has been a game-changer for the local economy, employing tens of thousands of workers and driving technological advancement. Investment, particularly from China and other major global players, has further accelerated industrial activity and strengthened Indonesia's position in the global nickel supply chain.

However, this economic boom is not without its drawbacks. Environmental issues, including deforestation, water pollution, and land degradation, are becoming increasingly prominent as mining activity increases.(Pambudi, 2025)The ecological costs of industrialization threaten not only the region's biodiversity but also the livelihoods of local communities dependent on natural resources. Furthermore, the economic benefits of nickel industrialization have not been distributed equitably, with wealth and opportunities often concentrated among large corporations and urban centers, leaving rural areas marginalized.(ChuanYu et al., 2024)This gap exacerbates social tensions and underscores the need for inclusive policies that ensure equitable development.

The volatility of global nickel prices adds another layer of complexity to Southeast Sulawesi's economic landscape. As Michel points out,(2024)Commodity market fluctuations can have ripple effects on regional economies, creating uncertainty for stakeholders and policymakers. This highlights the importance of adopting stabilization strategies that can buffer the region from external shocks while promoting sustainable growth.

Given the aforementioned challenges and opportunities, this study aims to analyze economic stabilization strategies during the nickel industrialization phase in Southeast Sulawesi. The goal is to identify policies and measures that can address the economic vulnerabilities associated with resource-based industrialization while maximizing its benefits. By examining the interplay between economic growth, environmental sustainability, and social equity, this study seeks to provide actionable insights for policymakers and stakeholders involved in regional development.

The scope of this research is comprehensive, encompassing an analysis of existing stabilization strategies, their effectiveness, and areas for improvement. It also explores the broader implications of nickel industrialization on regional and national development, considering factors such as global market trends, environmental considerations, and socio-economic impacts. The study draws on secondary data from government reports, academic journals, industry studies, and other credible sources to ensure a robust, evidence-based analysis.

The primary research question guiding this study is: How can economic stabilization strategies be effectively implemented to address the challenges and optimize the opportunities associated with nickel industrialization in Southeast Sulawesi? This question serves as a focal point for the study, allowing for a targeted exploration of key issues and potential solutions. By addressing the complexities of nickel industrialization and its implications for economic stabilization, this study aims to contribute to the broader discourse on sustainable development in resource-rich regions.

2. LITERATURE REVIEW

2.1. Theoretical Framework of Economic Stabilization

Economic stabilization refers to the strategies and measures implemented by governments and institutions to maintain stable economic growth, reduce volatility, and prevent disruptive fluctuations in key economic indicators such as inflation, unemployment, and GDP growth. A stable economy ensures resilience to external shocks and creates a conducive environment for sustainable development. Understanding economic stabilization requires examining its theoretical foundations, which have been informed by major schools of economic thought, including Keynesian economics and structural adjustment theory.

Keynesian economics, introduced by John Maynard Keynes, emphasizes the role of government intervention in stabilizing the economy during periods of economic downturn or excessive growth. According to Keynesian principles, fiscal and monetary policies should be utilized to regulate aggregate demand. For example, during a recession, the government can increase public spending or reduce taxes to stimulate demand, while during periods of inflation, monetary tightening can help curb excessive growth. In the context of Southeast Sulawesi, where nickel industrialization has brought both economic opportunities and challenges, a Keynesian approach can be used to address income inequality and mitigate the negative impact of price volatility in the global nickel market.(Abdullah & Sumner, 2025).

On the other hand, structural adjustment theory provides insights into long-term economic stabilization strategies in resource-driven economies. Structural adjustment involves reforms such as trade liberalization, diversification, and institutional strengthening to reduce dependence on a single industry or commodity. In the case of a resource-rich region like Southeast Sulawesi, structural adjustment is particularly relevant, as the dominance of the nickel industry raises concerns about economic fragility due to external market fluctuations and resource depletion. These theories collectively offer a basis for analyzing stabilization strategies tailored to the unique dynamics of nickel industrialization.

Economic stabilization is multifaceted, encompassing fiscal policy, monetary policy, and employment strategies. Each component plays a critical role in addressing specific economic challenges and ensuring balanced growth.

- **Fiscal Policy:** Fiscal policy refers to the use of government spending and taxation to influence economic activity. In resource-driven economies, fiscal policy is often directed at managing revenues derived from commodity exports. For Southeast Sulawesi, fiscal measures could include reallocating nickel export revenues to fund infrastructure development, education, and healthcare, thereby promoting equitable growth.(Sunuhadi et al., 2024). In addition, fiscal policy can be designed to support local businesses and encourage industrial diversification, reducing reliance on nickel alone.

- **Monetary Policy:** Monetary policy involves regulating interest rates and the money supply to maintain price stability and control inflation. In regions impacted by nickel industrialization, monetary authorities must address issues such as price volatility in the global nickel market and its ripple effects on domestic inflation. For example, Bank Indonesia could implement policies to stabilize the rupiah against fluctuations in nickel export revenues, ensuring a predictable economic environment for investors and local communities.(Michel, 2024).

- **Employment Strategy:** Employment strategies are crucial to ensuring that economic benefits are distributed across socioeconomic groups. In Southeast Sulawesi, nickel

industrialization has created job opportunities, but concerns about income inequality persist. Employment strategies should focus on workforce development through education and training programs tailored to the needs of the nickel industry. Furthermore, policies that promote local recruitment and fair wages can help bridge the gap between skilled and unskilled labor while fostering community development.(Pambudi, 2025).

Previous research has explored economic stabilization in resource-driven economies, providing valuable insights into the challenges and opportunities associated with commodity dependence. One prominent study is by Abdullah and Sumner.(2025)examined industrialization pathways in resource-rich developing countries, emphasizing the importance of strategic activism in the value chain. Their findings highlight the need for policies that promote downstream activities, such as nickel processing, to enhance economic stability and create value-added opportunities.

Likewise, Sunuhadi, Hilman, and Suseno(2024)discusses government policies for nickel resource management and industrialization in Southeast Sulawesi. They argue that an effective economic stabilization strategy must address disparities in wealth distribution and prioritize sustainable development. Their study underscores the importance of fiscal policies aimed at redistributing resource revenues across sectors and regions.

In another study, Michel(2024)explores the global dynamics of the nickel market, noting Indonesia's strategic role as a major supplier. The research identifies challenges such as price volatility and international competition, which require strong stabilization measures. Michel's analysis provides a global perspective on the interconnectedness of resource-driven economies and the importance of aligning local policies with global trends.

Environmental concerns are also a recurring theme in discussions about economic stabilization in resource-driven economies.(2025)highlights the environmental trade-offs associated with nickel industrialization, arguing that stabilization strategies must balance economic growth with ecological sustainability. Policies promoting green industrial practices and investment in renewable energy can mitigate negative environmental impacts while promoting long-term stability.

Lastly, Tritto(2023)And(Jordy, 2025)emphasizes the social dimension of economic stabilization. Their research highlights the role of community engagement and social policies in ensuring that the benefits of industrialization are distributed equitably. For Southeast Sulawesi, this means addressing issues such as social displacement, health problems, and gender disparities, which are often exacerbated by rapid industrialization.

Applying economic stabilization theory to the Southeast Sulawesi context requires a nuanced understanding of the region's economic, social, and environmental landscape. Keynesian principles advocate countercyclical policies to address fluctuations in nickel prices and export revenues. For example, during periods of declining global nickel prices, the government could increase public investment in infrastructure projects to stimulate domestic demand and create jobs. Conversely, during price spikes, fiscal policy could focus on saving excess revenue in a sovereign wealth fund for future use, ensuring long-term stability.(Personal, 2024).

Structural adjustment theory provides a roadmap for reducing the region's dependence on nickel exports by promoting diversification. This could involve developing complementary industries such as tourism, agriculture, or renewable energy. Policies that encourage innovation and entrepreneurship can also foster economic resilience by creating alternative income streams and reducing vulnerability to external shocks.(Fatma & Rahayu, 2024).

In terms of workforce strategy, targeted programs to improve workforce skills are crucial. Collaboration between industry players and educational institutions can ensure that training programs align with the requirements of the nickel sector. Furthermore, policies that promote gender inclusivity and equal opportunity can maximize the socioeconomic benefits of industrialization.(ChuanYu et al., 2024).

Despite theoretical insights and practical recommendations, implementing economic stabilization strategies in Southeast Sulawesi is not without challenges. Reliance on nickel as a primary economic driver poses risks related to price volatility and resource depletion. Furthermore, the environmental impacts of nickel mining, such as deforestation and pollution, threaten the region's ecological balance and long-term sustainability.

However, these challenges also present opportunities. For example, a shift towards sustainable industrial practices, such as adopting renewable energy sources and implementing green mining technologies, can increase the region's competitiveness in the global market. Furthermore, leveraging nickel industrialization to invest in infrastructure and social programs can create a more inclusive and resilient economy. Strategic partnerships between government, industry, and local communities are crucial to realizing these opportunities and addressing these challenges.(Jordy, 2025).

The theoretical framework of economic stabilization provides a strong foundation for analyzing the impact of nickel industrialization in Southeast Sulawesi. By integrating fiscal, monetary, and employment strategies with insights from Keynesian economics and structural adjustment theory, policymakers can address the challenges of commodity dependence while promoting sustainable and inclusive growth. The reviewed studies underscore the importance of balancing economic, social, and environmental dimensions in stabilization strategies, ensuring that the benefits of industrialization are distributed equitably across regions and communities. As Southeast Sulawesi continues to navigate the complexities of nickel industrialization, a proactive and adaptive approach to economic stabilization will be crucial to securing its long-term prosperity.

2.2. Nickel Industrialization: Global and Regional Context

Nickel, a silvery-white metal, has long been recognized as a vital global commodity due to its diverse industrial applications and its crucial role in facilitating technological advancement. Its unique properties, such as corrosion resistance, high melting point, and ability to form alloys with other metals, make it indispensable in a wide range of industries. Nickel is a cornerstone in the production of stainless steel, accounting for approximately two-thirds of its global consumption. Furthermore, the rise of electric vehicles (EVs) has further increased the importance of nickel, as it is a key component in lithium-ion batteries, which power these environmentally friendly vehicles. The global transition to green energy and sustainable development has positioned nickel as a crucial material in efforts to reduce carbon emissions and combat climate change.

The significance of nickel extends beyond its industrial uses. Economically, it is a crucial export commodity for many resource-rich developing countries, contributing significantly to foreign exchange earnings and national income. Indonesia, home to substantial nickel reserves, has emerged as a dominant player in the global nickel market. According to Abdullah and Sumner(2025)Strategic government policies and downstream activities have propelled Indonesia to the forefront of the global nickel industry. This development has positioned the country as a major supplier, meeting the growing demand for nickel in the international market.

Southeast Sulawesi, a province in Indonesia, has become a focal point for nickel industrialization. Historically, the region's economy has relied on agriculture and traditional industries, but the discovery of rich nickel deposits changed its economic trajectory. The development of nickel mining and processing facilities has created new opportunities for economic growth and regional development. Sunuhadi, Hilman, and Suseno(2024)highlighted that the value of Southeast Sulawesi's nickel reserves is projected to reach unprecedented levels, underscoring its potential as a driver of economic progress.

Nickel industrialization in Southeast Sulawesi has not only boosted regional GDP but also driven job creation and infrastructure development. The establishment of smelters and industrial estates, such as the Morowali Indonesian Industrial Estate (IMIP), has attracted significant domestic and foreign investment. As Tritto noted,(2023)This industrial hub has employed thousands of workers, reducing unemployment and improving living standards in the region.

Furthermore, the integration of nickel processing into the local economy has facilitated value-added, allowing the region to reap greater benefits from its natural resources.

Despite these positive developments, nickel industrialization in Southeast Sulawesi also poses several challenges. Environmental degradation, income inequality, and price volatility are some of the problems that have emerged as a result of rapid industrialization. Nickel extraction and processing have led to deforestation, water pollution, and soil erosion, threatening the ecological balance in the region. Furthermore, the benefits of industrialization have not been distributed evenly, with some communities reaping greater rewards than others.(2025)emphasized that although Southeast Sulawesi has experienced economic growth, the gains have not been felt evenly across all regions, highlighting the need for a more inclusive development strategy.

Globally, nickel industrialization has been characterized by intense competition and strategic policymaking. Countries with significant nickel reserves, such as Indonesia, the Philippines, and Russia, have sought to capitalize on their resources by implementing policies aimed at increasing production and export revenues. For example, Indonesia's decision to ban the export of unprocessed nickel ore in 2020 marked a significant shift in the dynamics of the global nickel trade. This policy aimed to encourage domestic processing and downstream activities, thereby increasing the value derived from nickel exports.(2024)observed that this export ban has driven significant investment in smelting facilities and other processing infrastructure, enabling Indonesia to strengthen its position in the global nickel market.

The rise of electric vehicles is further intensifying demand for nickel, with manufacturers racing to secure a stable supply of high-quality nickel to meet production needs.(2024)Indonesia's strategic control over its nickel resources has enabled it to dominate the global supply chain, accounting for approximately 75% of global nickel supply. This dominance not only strengthens Indonesia's economic position but also gives it significant leverage in international trade negotiations.

Nickel industrialization in resource-rich areas like Southeast Sulawesi has had profound economic impacts, both positive and negative. On the positive side, nickel industrialization has stimulated economic growth, improved infrastructure, and created job opportunities. The construction of roads, ports, and power plants to support mining and processing activities has improved connectivity and access to essential services, benefiting local communities. Jordy(2025)highlights the transformative impact of nickel industrialization in the Morowali region, where rapid industrialization has driven processed nickel exports and contributed significantly to regional development.

However, the economic benefits of nickel industrialization often come with challenges. Dependence on a single resource can leave the economy vulnerable to price fluctuations and external market shocks. Volatility in nickel prices on the global market can cause economic instability in regions heavily dependent on nickel exports. Furthermore, the influx of foreign workers and investment can create social tensions and exacerbate income inequality. Fatma and Rahayu(2024)emphasized the importance of fostering strong local economic ties to enhance stability and ensure that the benefits of industrialization are distributed equitably.

Nickel industrialization in Southeast Sulawesi can be analyzed through the lens of various economic theories. Structural adjustment theory, for example, emphasizes the role of resources in shaping the trajectory of economic development. The exploitation of nickel resources in Southeast Sulawesi aligns with this theory, as it has facilitated economic restructuring and diversification. However, this theory also highlights the risks associated with resource dependence, underscoring the need for policies that promote economic resilience and sustainability.

Keynesian economics provides another perspective, focusing on the role of government intervention in stabilizing the economy and promoting growth. The Indonesian government's policy of promoting nickel downstreaming and industrialization reflects Keynesian principles, as it aims to stimulate domestic investment and create jobs. Abdullah and Sumner(2025)argue that

strategic government activism in the nickel value chain has played a significant role in driving industrialization and economic growth in resource-rich regions such as Southeast Sulawesi.

Nickel industrialization has emerged as a significant driver of economic development in Southeast Sulawesi and other resource-rich regions. Nickel's unique properties and diverse industrial applications have increased its importance in the global economy, particularly in the context of the green energy transition. In Southeast Sulawesi, the development of nickel mining and processing facilities has transformed the region's economic landscape, creating opportunities for growth and development.

However, challenges associated with nickel industrialization, such as environmental degradation, income inequality, and price volatility, highlight the need for effective policies and strategies to ensure sustainable and inclusive development. By addressing these challenges and capitalizing on the opportunities presented by nickel industrialization, Southeast Sulawesi can position itself as a model for resource-driven economic growth and stability. Future research should focus on exploring innovative approaches to resource management and economic diversification, ensuring that the benefits of industrialization are equitably distributed and sustainable in the long term.

METHODS

This study employed library research with a descriptive qualitative approach. Data were collected from reliable secondary sources such as scientific journals, government reports, and industry studies related to nickel industrialization and economic stabilization strategies in Southeast Sulawesi. The analysis was conducted using content and comparative methods to identify key themes and compare policies in similar regions. This approach allows for an in-depth understanding of the effectiveness of economic stabilization strategies and the challenges they face, while also providing a basis for developing sustainable economic policies in the region.

RESULTS AND DISCUSSION

4.1. The Economic Impact of Nickel Industrialization in Southeast Sulawesi

The nickel industry in Southeast Sulawesi has been a driver of significant economic change in the region, bringing both positive and negative impacts. This section explores these economic impacts in detail, highlighting how the industrialization process has shaped the local economy through job creation, infrastructure development, and increased regional GDP. However, it is also important to address adverse effects, such as environmental degradation, income inequality, and price volatility, which can undermine the potential benefits of this industry's growth. This balanced analysis is crucial to understanding the full scope of nickel industrialization's impact on Southeast Sulawesi's economy.

4.1.1. Job Creation

One of the most immediate benefits of nickel industrialization in Southeast Sulawesi is job creation. The establishment of nickel mining and processing operations has created thousands of jobs, both directly and indirectly. Direct jobs include those in mining, processing plants, and transportation, while indirect jobs include various support services, such as catering, maintenance, and logistics. According to data from the Southeast Sulawesi provincial government, the nickel industry has created more than 10,000 direct jobs since 2010, with significant growth projected as more mining companies enter the region.

Furthermore, the influx of job opportunities has contributed to a decline in unemployment in Southeast Sulawesi. The unemployment rate, which was around 7% in 2010, has decreased to around 4% in 2022, a clear indication of the nickel industry's positive impact on the job market. Job opportunities in the nickel sector have also led to increased local wages, providing more disposable income for families and improving their overall quality of life.

4.1.2. Regional GDP Increase

The nickel industry also contributes to the increase in Southeast Sulawesi's regional Gross Domestic Product (GDP). The mining sector's contribution to the regional economy has grown significantly over the years, with nickel exports becoming a significant source of revenue. In 2021, the nickel industry contributed approximately 20% of regional GDP, a substantial increase from just 5% a decade earlier. This GDP growth can be attributed to increasing global demand for nickel, primarily driven by its use in electric vehicle batteries and renewable energy technologies.

The increase in GDP has facilitated more government revenue, allowing local governments to invest in public services and infrastructure. For example, revenue generated from nickel exports has been allocated to improve education, healthcare, and transportation networks, further supporting economic development in the region. This creates a positive feedback loop, where economic growth leads to improved public services, which, in turn, drives further economic growth.

4.1.3. Infrastructure Development

Nickel industrialization has also spurred significant infrastructure development in Southeast Sulawesi. The need for efficient transportation and logistics to support mining operations has led to the construction of new roads, ports, and communication networks. For example, the development of the Morowali Industrial Estate not only facilitates nickel processing but also improves local infrastructure, benefiting other industries and communities in the area.

Furthermore, increased infrastructure investment has improved connectivity in the region, making it easier for local businesses to access markets and resources. Infrastructure improvements have also attracted additional investment from other sectors, such as agriculture and tourism, creating a more diverse and resilient local economy. This diversification is crucial to mitigate the risks associated with reliance on a single industry, such as nickel mining.

While the economic benefits of nickel industrialization are evident, it is crucial to address the negative impacts that accompany this growth. These include environmental degradation, income inequality, and price volatility, which pose significant challenges to sustainable economic development in Southeast Sulawesi.

4.1.4. Environmental Degradation

One of the most pressing concerns associated with nickel industrialization is environmental degradation. Mining activities often lead to deforestation, soil erosion, and water pollution, which can have devastating impacts on ecosystems and local communities. Reports from environmental NGOs have highlighted examples of river contamination from mining waste, affecting the livelihoods of communities dependent on fishing and agriculture.

For example, a study by the Indonesian Forum for the Environment (WALHI) found that nickel mining activities in Southeast Sulawesi have caused significant habitat destruction, impacting biodiversity and threatening the sustainability of local flora and fauna. Forest loss not only impacts wildlife but also contributes to climate change by reducing carbon absorption capacity.

Environmental impacts also extend to health issues for local residents. Pollution from mining operations can cause respiratory illnesses and other health problems among communities living near mining sites. Thus, while the nickel industry provides economic benefits, it also raises serious questions about the long-term sustainability of these profits in light of environmental degradation.

4.1.5. Income Inequality

Another negative impact of nickel industrialization is widening income inequality in Southeast Sulawesi. Although the industry has created numerous jobs, the benefits have not been distributed evenly across the population. Many higher-paying positions in the nickel

sector are filled by individuals from outside the region or those with specialized skills, leaving low-skilled local workers with less lucrative employment opportunities.

Data from the Central Statistics Agency (BPS) shows that the Gini coefficient, a measure of income inequality, has increased in Southeast Sulawesi over the past decade. This suggests that while some individuals and families have experienced financial gains due to the nickel industry, many others have been left behind, exacerbating social tensions and inequality.

Furthermore, the influx of wealth into the region has led to an increase in the cost of living, particularly in urban areas. As demand for housing and services increases, low-income families may find it increasingly difficult to afford basic necessities, further entrenching the cycle of poverty for certain segments of the population.

4.1.6. Price Volatility

The nickel industry is also vulnerable to price volatility, which can negatively impact the local economy. Global market fluctuations can cause sudden increases or decreases in nickel prices, impacting export revenues. When prices fall, mining companies may reduce operations, leading to job losses and reduced government revenue.

For example, in 2019, a significant drop in nickel prices due to a global oversupply led several companies to scale back their operations in Southeast Sulawesi. This not only resulted in job losses for thousands of workers but also reduced funding for public services, negatively impacting education and healthcare in the region. Such volatility underscores the risks associated with resource-dependent economies, where external market forces can create instability and uncertainty for local communities.

In short, the economic impacts of nickel industrialization in Southeast Sulawesi are diverse, encompassing both positive contributions and significant challenges. While the industry has led to job creation, increased regional GDP, and infrastructure development, it has also resulted in environmental degradation, income inequality, and price volatility.

To ensure that the benefits of nickel industrialization are maximized while minimizing its negative impacts, it is crucial for policymakers to adopt a balanced approach. This may include implementing sustainable mining practices, investing in education and skills development for local workers, and creating a diversified economy that is less vulnerable to fluctuations in global commodity prices. By addressing these challenges, Southeast Sulawesi can work towards a more sustainable and equitable economic future within the context of its nickel industrialization.

4.2. Policy Steps for Economic Stabilization

Nickel industrialization in Southeast Sulawesi has emerged as a transformative force for the regional economy, bringing both opportunities and challenges. Effective policy measures for economic stabilization are crucial to ensuring sustainable development in this resource-rich region. This section explores existing fiscal policies, local content regulations, and other economic stabilization strategies implemented during the nickel industrialization phase. It evaluates their effectiveness through case studies, data analysis, and theoretical insights while identifying areas for improvement and expansion.

Fiscal policy has been a key lever in managing the economic impacts of nickel industrialization. The Indonesian government has introduced various fiscal measures, including tax incentives, subsidies, and profit-sharing schemes, aimed at promoting industrial growth and ensuring equitable economic benefits across regions. According to Abdullah and Sumner(2025)Strategic fiscal action in the nickel value chain is crucial for promoting downstream activities, which are crucial for long-term economic stability. These measures aim to reduce dependence on raw nickel exports and encourage value-added production, thereby increasing regional GDP and creating jobs.

A fiscal policy that deserves attention is the imposition of a ban on the export of raw nickel, as discussed by Pribadi.(2024)This policy encouraged domestic industries to invest in smelting and refining facilities, thereby enhancing local manufacturing capabilities. Furthermore, a revenue-

sharing mechanism between the central and regional governments ensured that a portion of profits from nickel mining and industrialization were reinvested in local infrastructure and community development projects. However, while this policy has contributed to economic growth, Sunuhadi, Hilman, and Suseno(2024)highlighting challenges such as unequal distribution of benefits and inefficiencies in the revenue allocation system.

The effectiveness of fiscal policy can be assessed through its impact on regional economic indicators. For example, Southeast Sulawesi's GDP experienced a significant increase, driven by investment in nickel processing and related industries.(2023)noted that the sector employs more than 43,000 workers, contributes substantially to household incomes and reduces unemployment rates. However, the environmental costs associated with industrialization, as highlighted by Pambudi(2025), raising concerns about the sustainability of these fiscal measures. Increased government spending on environmental rehabilitation and sustainable development projects could address these concerns and ensure long-term economic stability.

Local content regulations have played a crucial role in ensuring that the benefits of nickel industrialization are distributed equitably among local communities. These regulations mandate that the industry prioritize the employment of local workers and the procurement of goods and services from regional suppliers. Abdullah and Sumner(2025)underlined the importance of promoting local content in the nickel value chain, as it increases regional economic resilience and reduces dependence on external markets.

One successful example of local content regulation is the Morowali Industrial Park, which employs mostly local workers and sources materials from nearby suppliers.(Jordy, 2025)This initiative not only boosts the regional economy but also encourages skills development among the local workforce. However, (2024) points out that enforcement of local content regulations remains inconsistent, with some industries relying heavily on imported labor and equipment. Strengthening the regulatory framework and improving monitoring mechanisms could mitigate this challenge.

The effectiveness of local content regulations can be evaluated through their contribution to job creation and skills development. According to Sunuhadi et al.(2024), the nickel industrialization phase has created thousands of jobs, significantly reducing the poverty rate in Southeast Sulawesi. However, job quality remains a concern, with many workers engaged in low-skilled, low-paid jobs. Pambudi(2025)suggests that investing in vocational training programs and educational initiatives can raise the skill levels of the workforce, enabling them to access higher-paying positions and contribute more effectively to the economy.

Beyond fiscal policy and local content regulations, other economic stabilization strategies have been implemented to address the challenges of nickel industrialization. These include monetary policy, trade regulations, and environmental protection measures. For example, the government has introduced interest rate adjustments and credit facilities to support small and medium enterprises (SMEs) involved in the nickel value chain.(Fatma & Rahayu, 2024)These measures aim to encourage entrepreneurial growth and regional economic diversification, thereby reducing dependence on nickel exports.

Environmental protection measures have also gained prominence, given the ecological degradation associated with nickel mining and processing. As Pambudi notes,(2025)Policies such as mandatory environmental impact assessments (AMDAL) and rehabilitation programs are crucial to ensuring the sustainability of industrial activities. However, enforcing these policies remains a challenge, with many industries failing to comply with environmental standards.

The effectiveness of this strategy can be assessed through its impact on economic diversification and environmental sustainability. According to ChuanYu et al.(2024)The development of high-pressure acid leaching (HPAL) projects has facilitated the production of high-grade nickel products, increased export revenues, and reduced market volatility. However, environmental concerns remain, with significant damage reported in mining areas. Strengthening environmental regulations and promoting green technologies can address these concerns, ensuring a balanced approach to economic stabilization.

While existing policy measures have contributed significantly to economic stabilization during nickel industrialization, there is room for improvement and expansion. One area of focus is diversifying economic activities beyond nickel mining and processing. As Michel suggests, (2024) Investing in sectors such as agriculture, tourism, and renewable energy can reduce dependence on nickel exports and increase regional economic resilience. Furthermore, Sunuhadi et al. (2024) highlighted the need for stronger international partnerships to access advanced technology and expertise, thereby improving the efficiency and sustainability of industrial activities.

Another important area for improvement is the enforcement of environmental regulations. Pambudi (2025) emphasized the need for stricter penalties for non-compliance and increased funding for environmental rehabilitation projects. Implementing sustainable development policies, such as carbon offset programs and renewable energy incentives, could further enhance the region's economic stability.

Economic stabilization policies during the nickel industrialization of Southeast Sulawesi have played a significant role in driving regional economic growth and reducing poverty. Fiscal policies, local content regulations, and other strategies have contributed significantly to job creation, infrastructure development, and skills development. However, challenges such as environmental degradation, income inequality, and market dependence remain. By addressing these issues through diversification, stronger regulations, and international collaboration, policymakers can ensure the sustainable development of Southeast Sulawesi's economy.

The findings of this analysis underscore the importance of balancing economic growth with environmental sustainability and social equity. As Southeast Sulawesi continues to navigate the complexities of nickel industrialization, comprehensive and adaptive policy measures will be crucial to achieving long-term economic stability. Future research should focus on exploring innovative strategies and technologies for sustainable industrial development, ensuring that the benefits of nickel industrialization are shared equitably across all segments of society.

4.3. Challenges and Opportunities in Economic Stabilization

Economic stabilization is a crucial aspect of managing industrialization in resource-rich regions like Southeast Sulawesi, Indonesia. With the region's nickel reserves playing an increasingly prominent role in global supply chains, policymakers face both challenges and opportunities in ensuring sustainable economic growth. This section examines the various obstacles and prospects associated with economic stabilization during nickel industrialization, offering a balanced analysis supported by a theoretical framework, empirical data, and case studies.

One of the most significant challenges facing Southeast Sulawesi is its heavy reliance on nickel as a key economic driver. This reliance on a single natural resource exposes the region to risks associated with price volatility in global commodity markets. Nickel prices, like other metal commodities, are affected by fluctuating global demand, geopolitical tensions, and technological advances. (Abdullah & Sumner, 2025) For example, trends in electric vehicle (EV) production directly impact nickel demand, as it is a critical component in lithium-ion batteries. A sudden drop in demand or oversupply in the market could result in a sharp drop in revenue for the region, disrupting its economy.

Additionally, the "resource curse" phenomenon is an inherent risk of resource-dependent economies. This theory suggests that regions rich in natural resources often experience slower economic growth due to over-reliance on resource exports, limited diversification, and governance challenges. (Michel, 2024) In Southeast Sulawesi, the dominance of the nickel industry has hampered the development of other sectors, such as agriculture and tourism, creating an unbalanced economic structure.

Global market fluctuations pose another major challenge to Southeast Sulawesi's economic stability. Nickel industrialization is heavily influenced by international trade policies, currency exchange rates, and supply-demand dynamics. For example, the Indonesian government's 2020 ban on unprocessed nickel exports was intended to boost domestic downstream activity but inadvertently disrupted the global nickel market. (Personal, 2024) While this policy has boosted the

local economy, it has also exposed the region to external pressure from countries dependent on Indonesian nickel exports.

In addition, the dominance of certain players in the global nickel market, such as China, creates challenges for Indonesia to maintain competitive prices and market share. (Michel, 2024). The increasing control of global nickel supplies by major powers further exacerbates the vulnerability of resource-rich regions to external shocks.

Nickel mining and industrialization have significant environmental consequences, posing challenges to sustainable development in Southeast Sulawesi. Mining operations often lead to deforestation, soil erosion, and water pollution, which negatively impact ecosystems and local communities. (Pambudi, 2025). Environmental degradation resulting from nickel industrialization not only damages the region's natural resources but also imposes long-term economic costs related to environmental reclamation and restoration.

For example, research has shown that mining activities in Southeast Sulawesi contribute to the contamination of water sources with heavy metals, impacting agriculture and fisheries. (Fatma & Rahayu, 2024) The lack of strict environmental regulations and enforcement exacerbates this problem, making it difficult to strike a balance between industrial growth and ecological preservation.

Another challenge is the widening gap between different socioeconomic groups in Southeast Sulawesi. Although nickel industrialization has created jobs and boosted regional GDP, the benefits have not been distributed evenly across the population. (Tritto, 2023) Workers in nickel mining and processing often face poor working conditions and low wages, while companies and investors reap substantial profits. This disparity contributes to social unrest and undermines efforts to achieve inclusive economic growth.

Furthermore, the influx of migrant workers into the region has created competition for resources and jobs, often leading to tensions between local communities and migrants. Addressing these social gaps is crucial for maintaining economic stability and fostering a cohesive society.

Despite the challenges, Southeast Sulawesi has the potential to diversify its economy and reduce its dependence on nickel. By investing in other sectors, such as agriculture, tourism, and renewable energy, the region can create a more balanced economic structure that is resilient to market fluctuations. (Abdullah & Sumner, 2025) For example, developing ecotourism in the region's natural parks and coastal areas could attract international visitors and generate additional revenue streams.

Furthermore, promoting small and medium enterprises (SMEs) in non-mining sectors can boost local entrepreneurship and reduce dependence on external investment. Policies that encourage innovation and skills development in these sectors will further support economic diversification.

Sustainable industrial development offers significant opportunities for economic stabilization in Southeast Sulawesi. Adopting environmentally friendly mining practices and technologies can reduce the environmental impact of nickel industrialization while ensuring long-term resource availability. For example, implementing high-pressure acid leach (HPAL) technology for nickel extraction minimizes waste and increases efficiency, contributing to sustainable growth. (ChuanYu et al., 2024).

Furthermore, integrating renewable energy sources into nickel processing facilities can reduce greenhouse gas emissions and lower operational costs. Southeast Sulawesi's abundant solar and wind energy resources offer an opportunity to transition to cleaner energy solutions, in line with global sustainability goals.

Another opportunity lies in improving the skills and capabilities of the local workforce. By investing in vocational education and training programs, the region can equip its residents with the skills needed to participate in higher-value activities within the nickel value chain. (Jordy, 2025) For example, training programs in advanced manufacturing, engineering, and environmental

management can enable workers to take on specialized roles in nickel processing and related industries.

Furthermore, partnerships between government agencies, educational institutions, and industry stakeholders can facilitate knowledge transfer and foster innovation. Building a skilled workforce not only enhances economic stability but also empowers communities to contribute to sustainable development.

While the challenges of economic stabilization in Southeast Sulawesi are significant, the opportunities for growth and resilience are equally compelling. Overcoming dependence on natural resources requires strategic policymaking that prioritizes economic diversification and reduces vulnerability to external market fluctuations. For example, implementing fiscal policies that incentivize investment in non-mining sectors can create a more balanced economy. (Sunuhadi et al., 2024).

At the same time, mitigating environmental degradation requires stringent regulations and enforcement mechanisms to ensure sustainable industrial practices. Collaboration between government agencies, industry players, and environmental organizations can facilitate the adoption of green technologies and promote ecological restoration initiatives.

Furthermore, addressing income inequality and social disparities requires inclusive policies that prioritize the equitable distribution of economic benefits. For example, establishing community development programs and providing social welfare support to vulnerable populations can reduce inequality and foster social cohesion.

In conclusion, the challenges and opportunities associated with economic stabilization during nickel industrialization in Southeast Sulawesi are diverse and require a balanced approach. By addressing dependence on natural resources, external market fluctuations, environmental degradation, and income inequality, policymakers can navigate the complexities of resource-based industrialization. Simultaneously, capitalizing on opportunities for diversification, sustainable development, and skills enhancement can pave the way for long-term economic stability and growth. The success of economic stabilization strategies in Southeast Sulawesi will depend on collaborative efforts between government, industry, and local communities, ensuring the region achieves sustainable and inclusive development.

CONCLUSION

Based on the literature review, nickel industrialization in Southeast Sulawesi has made a significant contribution to the regional economy through increasing GRDP, expanding employment opportunities, and developing infrastructure, while simultaneously positioning the region as a key player in the national economy. At the same time, the literature review indicates that this industrialization process has resulted in various negative impacts, such as environmental degradation, income inequality, and high vulnerability to nickel price volatility in the global market, reflecting structural issues resulting from excessive dependence on a single commodity. In response to these conditions, the literature identifies economic stabilization strategies such as strengthening nickel-based fiscal policies, local content regulations, and local workforce skills development programs. These strategies have shown positive contributions to expanding the economic base and increasing the participation of domestic business actors, although their implementation still faces resistance from some industry players and limited effectiveness at the practical level.

SUGGESTION

Future researchers are advised to combine literature studies with empirical research to more fully understand the dynamics of nickel industrialization and economic stabilization policies in Southeast Sulawesi. Furthermore, future research should delve deeper into social, economic, and environmental aspects, particularly the distribution of economic benefits, impacts on local businesses, and environmental sustainability, to generate more effective policy recommendations.

REFERENCE

- Abdullah, I., & Sumner, A. (2025). Linkage development as industrial policy: The state and structural transformation in resource-rich countries. <https://doi.org/10.35188/UNU-WIDER/2025/586-8>
- ChuanYu, J., Manurung, H., Anggara, F., & Petrus, HTBM (2024). Indonesian Nickel Overview: Potential, Development and Future Prospects BT - Proceedings of the 63rd Conference of Metallurgists, COM 2024 (M. and MS of CIM (ed.); pp. 753–763). Springer Nature Switzerland. https://doi.org/DOI: 10.1007/978-3-031-67398-6_130
- Fatma, M., & Rahayu, AYS (2024). The Contribution of Metal Mining to Southeast Sulawesi's Economy: an Input-output Analysis. *Journal of Research of Social Science Economics, and Management*, 04(10), 1448–1461. <https://doi.org/10.59141/jrssem.v4i10.835>
- Jordy, J. (2025). Untangling Nickel Downstreaming: A Political Economy Analysis of Indonesia's Morowali Industrial Park. *International Journal Social and Political Sciences (IJSPPS)*, 2(2), 150–161. <https://doi.org/https://doi.org/10.69812/ijsp.v2i2.136>
- Michel, T. (2024). The Prospects of Indonesia's Nickel Boom Amidst a Systemic Challenge from Coal (Issue May).
- Pambudi, PA (2025). The Paradox of Nickel Investment in Indonesia. *Environmental Pollution Journal*, 5(3), 299–319. <https://doi.org/https://doi.org/10.58954/epj.v5i3.339>
- Pribadi, RDJ (2024). The Significance of the Nickel Ore Export Prohibition for Indonesia in Consolidating Its Middle-Income Status in the World System. Lund University.
- Sunuhadi, Nugroho, D., Ernowo, Hilman, Muharam, P., & Suseno, T. (2024). Availability of Indonesian nickel reserves and efforts to improve reserves resistance and its impact on economic growth. *Mineral Economics*, 37(3), 601–617. <https://doi.org/https://doi.org/10.1007/s13563-024-00443-0>
- Tritto, A. (2023). How Indonesia Used Chinese Industrial Investments to Turn Nickel into the New Gold (April Issue).