

Impact of Foreign Investment (PMA) in Nickel Products to Economic Sector in Indonesia (2019-2023)

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ABSTRACT

According to Indonesian nickel downstreaming data on the BKPM website, in 2021 the Government started downstreaming with the aim of increasing the added value of Indonesia's abundant natural resources, such as nickel. According to the United States Geological Survey (USGS), of the 2.67 million tons of nickel produced worldwide, Indonesia produces 800 thousand tons of nickel. To support this downstreaming program, the Government is implementing a Foreign Investment (PMA) strategy for the economic sector. According to BPS data, PMA investment in the mining sector in 2019-2023 experienced instability because every year there was a decrease or increase. In 2019 the recorded investment was 25,675.25, then in 2020 it decreased to 13,755.10. The following years, namely 2021-2023, continued to increase with the amount of investment recorded at 25,517.10 in 2021, continuing to 2022 at 62,521.60, and in 2023 with an increasing amount of investment at 86,689.20. Nickel exports in 2023 were considered the highest in approximately a decade, because they increased ten times. The rapid development in exports is the most valuable thing in the eyes of the world. Therefore, downstream projects must continue to be intensified so that domestic nickel processed products have a higher value.

Keywords: *Impact of Foreign Investment, PMA, Economic Sector, Government Strategy, Downstream Project.*

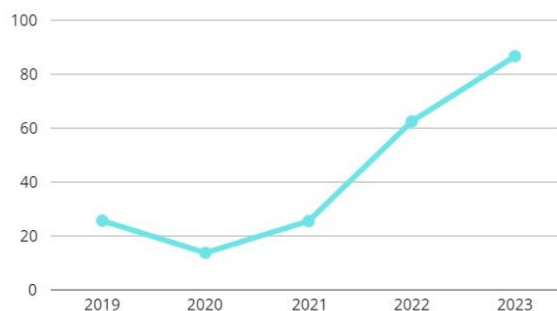
INTRODUCTION

Along with the times, there have been many changes to various aspects in order to support human life. One of the most significant is technology, for example information and communication technology, the emergence of artificial intelligence such as AI, and sophisticated transportation. This sophisticated transportation is in the form of electric vehicles, the main ingredient in electric vehicles is batteries, which enable electric vehicles to operate without using an Internal Combustion Engine (ICE) as a driving force. The existence of electric vehicles that replace fossil fuel vehicles will have an impact on reducing carbon emissions. The future of electric vehicles is very promising for sustainable climate change control. (Nur, 2021) In 2020 the government stopped nickel ore exports and one of the reasons the government imposed a ban on nickel ore exports was that nickel could be used as raw material for electric car components. (Agung, 2022)

According to Indonesian nickel downstream data on the BKPM website, in 2021 the Government will start downstream with the aim of increasing the added value of

Indonesia's abundant natural resources, such as nickel. According to the United States Geological Survey (USGS), of the 2.67 million tons of nickel produced worldwide, Indonesia produces 800 thousand tons of nickel, far ahead of the Philippines (420 thousand tons of nickel), Russia (270 thousand tons of nickel), and New Caledonia. (220 thousand tons of nickel). In addition, according to data from the Ministry of Energy and Mineral Resources for 2020, Indonesia's nickel reserves have 2.6 billion tons of reserves with a reserve age of 27 years. (Agung, 2022) To support this downstream program, the Government is implementing a Foreign Direct Investment (PMA) strategy in the economic sector. This strategy also applies to the mining sector to continue downstreaming nickel reserves. This regulation regarding PMA has been regulated by the government with regulations that stipulate that investment activities to conduct business in the territory of the Republic of Indonesia are carried out by foreign investors, either with foreign capital alone or jointly with domestic investors. (Undang-Undang Number 25 of 2007 concerning Capital Investment).

According to BPS data, FDI investment in the mining sector in 2019-2023 experienced instability because every year it experienced a decrease or increase. In 2019 the investment recorded was 25,675.25, then in 2020 it decreased, namely 13,755.10. The following years, namely 2021-2023, continue to increase with the number of investments recorded, namely 25,517.10 in 2021, continuing to 2022, namely 62,521.60, and in 2023, the number of investments continues to increase, namely 86,689.20.



Investment Realization of Domestic Investment According to Economic Sector
 (bps.go.id)

METHODS

This research uses qualitative data and is explained descriptively. Qualitative descriptive research focuses on the qualities, characteristics, and relationships between activities to describe and describe existing phenomena. Data taken from BPS data analysis and the Ministry of Investment (BKPM) website was carried out inductively using data analysis techniques based on the Stake and Miles and Huberman models. This research focuses on collecting data as is and does not manipulate the variables studied.

This research was carried out inseparable from the results of previous studies that had been carried out as comparison and study material. The research results used as

comparison cannot be separated from the research topic, namely Foreign Investment (PMA) in Nickel Products.

The research entitled "Peningkatan Investasi Dan Hilirisasi Nikel Di Indonesia" by Muhammad Agung and Emmanuel Ariananto Waluyo Adi (2022) aims to find out how effective the Minister of Energy and Mineral Resources Regulation Number 11 of 2019 is on the selling price of nickel when investment increases in Indonesia. In this research, normative juridical methods are used. Normative Juridical is a scientific research method based on literature study to find ideas, opinions and findings related to legal issues. The research results show that Minister of Energy and Mineral Resources Regulation Number 11 of 2019 is not too detrimental to foreign investors; on the contrary, it provides benefits to investors, providing easier permits and facilities for domestic and foreign investors.

Irawan, et al (2024) presented research entitled "Peningkatan Investasi dan Hilirisasi Nikel di Indonesia" with the aim of researching the extent of nickel investment policy, downstreaming, obstacles faced and how to invest. With downstream nickel, nickel prices increase, driving investors to Indonesia. In this paper, the methodology used is a qualitative literature study. Sources used include librarian materials such as books, articles, journals, theses, theses, laws, and others. Research shows that the government is asking investors to utilize nickel resources and improve the country's economy through domestic processing chains. The Indonesian government is also opening up further opportunities by providing easy licensing and facilities for domestic and foreign investors to invest capital.

RESULT AND DISCUSSION

Republic of Indonesia Government Regulation Number 5 of 2021 establishes an Online Single Submission (OSS) system. This system provides a centralized online medium for processing all permits, including PMA, which increases transparency and is effective in attracting investors. In addition, this regulation minimizes the types of permits required for PMA, thereby speeding up and simplifying the licensing process. Therefore, the Investment Law and Government Regulation Number 5 of 2021 support the government to regulate and control PMA in Indonesia, ensuring that incoming foreign capital complies with applicable laws and can provide a balanced function for the country's economic and social growth.

All business entities, including PMA, are required to obtain a Risk-Based Business Permit (IBBR) through One Single Submission-Risk Based Approach (OSS-RBA) which is in accordance with PP Number 5 of 2021 concerning the Implementation of Risk-Based Business Licensing. For several factors, this business permit is very vital for PMA. First, by having an IBBR, PMA can be assured that it has agreed to all legal and regulatory requirements necessary to operate in Indonesia. Second, IBBR provides legal guarantees for PMA to conduct their business safely and free from the threat of punishment. Third,

by having IBBR, PMA can use many government facilities and assistance, such as tax incentives, ease of importing, and access to public markets. The OSS-RBA system is an innovative action that has varied advantages which is a change in the regulation of business permits in Indonesia.

One of the superior advantages is the convenience resulting from a faster and more practical licensing process, because everything runs online. Then, openness is also very important because business actors can practically see the status of permit applications via OSS-RBA. Instead, this system increases responsibility by providing clear and audited documentation, which helps minimize the possibility of corruption. By using a centralized online permit processing platform, complex bureaucracy can also be reduced. Apart from that, it is hoped that the efficiency of business licensing through OSS-RBA will attract more investment to Indonesia. (Jery, 2024)

The Indonesian Business Book Classification (KBLI) was prepared by the government through the Central Statistics Agency (BPS) to determine guidelines for the types of businesses that will be developed in Indonesia. Industrial classification refers to industrial groups in Indonesia related to the 2020 KBLI codes, which currently number 1,790 codes. In the nickel sector, including mining and quarrying, it is included in group B code 072, a class of mining and processing metal ores that do not contain iron and do not contain precious metal ores.

One form of collaboration with foreign investors is development development in certain areas. To increase the value of minerals, especially nickel, a smelter can be built. Infrastructure must be built simultaneously with the construction of the smelter. To support the growth of the nickel industry, the state must support infrastructure development, especially energy production, smelting, import taxes and tax incentives for a certain period, as well as legal certainty regarding the guarantee period for the mining industry. 53 smelters are the government's target by 2024 (Agung, 2022).

In 2021, 19 smelters have been established and another 4 smelters are targeted to be completed by the end of the year. According to Minister of Energy and Mineral Resources Regulation Number 11 of 2019, the 4 smelters are owned by PT Aneka Tambang Tbk, with work progress of 97.7%, PT Smelter Nickel Indonesia, PT Cahaya Modern Metal Industri both 100% and PT Kapuas Prima Citra with work progress of 99.87% (Agung, 2022). According to the website of the Ministry of Public Works and Public Housing, infrastructure development plays an important role in encouraging economic growth both nationally and regionally, reducing unemployment, alleviating poverty and improving community welfare. Therefore, the government is committed to continuing to accelerate infrastructure development, because the existence of reliable infrastructure is very important to support the growth of economic and entrepreneurial activities.

Under the leadership of President Joko Widodo (Jokowi), Indonesia has shown great progress in infrastructure development. The government's active role in encouraging

this sector is the most important key in encouraging sustainable economic growth. In recent years, various ambitious infrastructure projects have been launched and have had a positive impact on various aspects of people's lives and the country's economy. One of the main goals of the Jokowi government is to increase accessibility and connectivity throughout Indonesia, which can be seen from the rapid construction of toll roads. For example, the construction of the Trans Toll Road is one of the infrastructure projects that has attracted the public's attention. This project, together with the railway, opens up access to remote areas. This infrastructure not only facilitates population mobility, but also reduces logistics costs, opens up new investment opportunities, and strengthens relations between regions. Infrastructure development does not only concern the transportation sector, but also other sectors. (Amarta, 2024)

In order to accelerate the development of primary infrastructure to improve public services, it is necessary to add new types of primary infrastructure, strengthen the commission to accelerate primary infrastructure development, and accelerate the procurement of government goods/services to support supply. Therefore, it is necessary to make changes to Presidential Regulation Number 75 of 2014 concerning the Acceleration of Primary Infrastructure Development.

CONCLUSION

According to our analysis, Vernon and Kindleberger's theory looks at foreign investment from a traditional economic perspective, showing that foreign investment can influence economic growth through job creation and strengthening market dynamics. The Indonesian government, through Regulation Number 5 of 2021, implements the Online Single Submission (OSS) system to minimize the types of permits required for PMA, speed up the licensing process, and increase openness to attract investors. In addition, all business entities, including PMA, are required to obtain a Risk-Based Business Permit (IBBR) through OSS-RBA. This system provides advantages that change the regulation of business permits in Indonesia, providing convenience, openness, responsibility, and helping to minimize corruption. Law Number 25 of 2007 regulates foreign capital investment, does not prohibit foreign investors from establishing Limited Liability Companies (PT) in Indonesia, and provides a complete legal basis. Collaboration with foreign investors can also take the form of developing infrastructure such as smelters to increase the value of mineral mines such as nickel. The government has a target of 53 smelters by 2024, with several of them already in the construction process. Minister of Energy and Mineral Resources Regulation Number 11 of 2019 also regulates the progress of construction of several smelters in Indonesia. The limitations of this research lie in the difficulty of accessing data, limited data coverage, and the lack of similar research journals. Because the issue is still new and there are not many articles or journals that research this issue, there are a few difficulties. After successfully conducting an analysis of the Indonesian government's efforts to increase foreign investment in the nickel sector, we have a suggestion not only to focus on the nickel

sector but also on other mining sectors which have broad data coverage and are easy to access.

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