

Research Article

The Urgency of WTO Reform: Impact of Nickel Dispute (DS529) on Indonesia Nickel Trade

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Received 12 February 2024; Revised 2 October 2025; Accepted 2 October 2025; Published Online 3 October 2025

Abstract

This paper examines the need for reform of the WTO dispute settlement body and a comprehensive review of the organization's structure. It examines the main reasons behind the reform urgencies by examining dysfunctions occurring in the dispute settlement procedure. This paper further argues that the structural and functional problems of WTO could disrupt Indonesia's trade relation with the European Union and the export of nickel raw materials around the world, and therefore worth solving. Due to its complex nature, the paper admits the complications rising within the domestic trade and the bureaucracy. This paper will specifically break down the problem, address the actors, and describe the reason behind the problem's persistence. Furthermore, instead of simply looking back at the phenomenon, this paper investigates the solutions made by the government through mass media. This paper finds that the main problem lies between the internal affairs of the WTO, thus the recommendations: (i) review of the entire WTO structure's function; (ii) eliminate special treatment provisions that disadvantage developing countries; and (iii) restructure the dispute settlement body. In addition, this paper presents Indonesia's efforts in repairing the impacted nickel trade by road-mapping investments with foreign private sectors, as well as strategizing MPIA to settle this dispute during the downstream implementation and reformation process.

Keywords: Dispute Settlement: Downstreaming: Global Trade: Trade Barriers: World Trade Organization

Introduction

In the current dynamics of international relations between actors, trade is one of the main drivers for each actor to relate and interact with each other. WTO (World Trade Organization) is a part of that system along with many others, whereas the function of this organization is to provide regulations and rules to conduct international trade as well as the facilitator of such discussions. One of the many functions of WTO is to carry out dispute settlements in the best interest of the member states as its implementation of the former subject. Dispute settlements are one of the many functions that the WTO withheld to maintain the current rules and regulations that the member states had agreed upon (Eddy, 2023:36-40).

Indonesia is a country with many trade relations with other actors and is one of the WTO member states, which also means that Indonesia has the need to follow their rules and regulations. Nevertheless, Indonesia is another middle-income country whose trade is closely connected to many countries, and so, to have a good relationship with those countries will influence their trade. In their long history of trade, Indonesia has a close trading relationship with the European Union to export their raw materials such as nickel to the nickel industries in Europe. But, due to Indonesia's prohibition on these raw materials, The EU had to inform the WTO to put it into the dispute settlement process where this issue is known as the DS592. This process has taken years and is hoped to conclude in the next few years. Many trials and appeals happened because of Indonesia's alleged misconduct and breaking of the GATT (General Agreement on Tariffs and Trade) 1994 and SCM (Subsidies and Countervailing Measures) Agreements (Lestari et al., 2024:289).

Indonesia is a country that has plenty of natural resources as well, including mineral natural resources, such as nickel, the country's main commodity. Nickel itself is quite important in its use in several sectors such as architecture, transportation, maritime affairs, military and industry. However, Indonesia issued a policy that included stopping nickel exports to the European Union, due to several factors which, if viewed more broadly, made the trade relations that were occurring not very favorable for Indonesia. Some of them, firstly, Indonesia believes that it must at least be able to exploit its mineral and coal potential to draw in foreign investments and create large employment opportunities in Indonesia. Additionally, Indonesia is aware that it can increase nickel price by doing value-adding processes, such as setting up smelters to create pure nickel or create products such as stainless steel and lithium batteries, which is favorable for Indonesia trade balance (Abdurrachman, 2023).

The European Union itself is a multilevel governance organization, in which every member state of the so-called organization acts in a coordinated manner (Bran et al., 2019:66-67). Therefore, every action and decision made by the EU as the main actor would facilitate and represent the interests of member states or regions. The Commission itself plays a substantial role in the restructuring of the political system and influences member states' domestic needs and decisions (Bran et al., 2019:68). Within the WTO, EU as well as their individual member states are a part of the organization due to the global rules and agreements they agreed upon (Directorate-General for Trade and Economic Security, n.d.).

With the preceding phenomenon as its reasoning, the European Union took action against Indonesia to sue the World Trade Organization (WTO) (Rahayu & Sugianto, 2020). Indonesia's policy, which includes prohibiting and stopping raw nickel exports, is considered a restrictive scheme that has a big impact on the European Union, given the fact that nickel is quite an important aspect for the European Union because it is sufficient to use nickel materials very highly. One example of the empowerment of nickel materials is Lithium Batteries, where this material is due to its high quality so that its products can provide benefits to the European Union. The European Union certainly feels that Indonesia's policy is a violation of the commitments of WTO members because it completely limits and does not provide broad access to international trade. The European Union filed the lawsuit because it believed that the policy was not in accordance with the principles and provisions of the WTO and felt that it had been disadvantaged by giving unfair and disadvantageous benefits to aspects of its domestic industry.

From various perspectives, the dispute settlement process within the WTO is inherently complex, particularly when the appellate body becomes non-functional. This dysfunction occurred because of the internal conflicts and structural challenges currently faced by the WTO, leading to a new era of structural and institutional reform. Insights into this situation were shared during an academic meeting held in December 2023 with Indonesia's Ministry of Trade, specifically through the Directorate of International Trade Organizations and Agreements. The reform discourse includes considerations of how Indonesia should navigate the consequences of the appellate body's dysfunction. Findings from this ongoing research provided deeper understanding of the factors contributing to the dispute settlement process and the operational challenges within the appellate body itself. Before the dysfunction and the reform, WTO was responsible to mediate and facilitate disputes surrounding trade within member states. Thereby, all countries retained an equal opportunity to report alleged misconduct or be involved in dispute settlement processes.

Calls for WTO reform have been raised by member states, many of which are developing countries, as early as 2018 (Gerstel & Caporal, 2018). This context underscores that the dispute under discussion remains ongoing, even amidst broader reform efforts. It also highlights the pressing need for an effective and concrete solution to address the unresolved dispute concerning Indonesia's prohibition on nickel raw material exports to Europe. The DS592 case between Indonesia and the European Union has been appealed multiple times within the official records of the WTO, yet remains unresolved due to the institutional dysfunction of the appellate body. Accordingly, this study seeks to examine the nature and formulation of such disputes and explore how they might be resolved both by the WTO and the parties involved. By analyzing the actors, motivations, and procedural dynamics behind the dispute and its repeated appeals, the study aims to draw informed conclusions and recommendations on viable pathways to resolution. These findings are intended to serve as a foundation for future research and more technical analyses relevant to policymakers. Ultimately, aspiring to deepen understanding of preventive strategies to mitigate similar disputes in the future. It is conducted through a comprehensive review of WTO reform efforts and an examination of the challenges faced by Indonesia's nickel trade policy within the context of its dispute with the European Union and related strategies to navigate the current appellate body crisis.

The research question guiding this study was formulated to clarify, contextualize, and simplify the current dynamics surrounding the WTO dispute settlement system, the ongoing reform efforts affecting the appellate body, and their implications for the nickel trade. Accordingly, this study seeks to explore but not limited to how did the WTO reform affect the appellate body, and does it have further impact on the nickel trade between Indonesia and EU seen through international organization and diplomatic perspectives.

Literature Review

An international organization can also be defined as "a formal, continuous structure established by agreement between members (governmental and/or non-governmental) from two or more sovereign states with the aim of pursuing the common interests of the membership," (Archer, 2014). This definition emphasizes the sustainable and formal character of such organizations, which are created to advance shared interests among their member states. Within this framework, the WTO, as an international organization, is fundamentally designed to prioritize the collective interests of its members by reducing barriers and facilitating smoother international trade. However, the dispute over nickel exports has become a particularly notable case, as it illustrates how member states, specifically the European Union and Indonesia, find themselves in conflict rather than cooperation over access to and control of this raw material. While the WTO exists to mediate and resolve such disputes, a mutually satisfactory resolution to this case has yet to be achieved, highlighting ongoing challenges within the dispute settlement process.

Several prior studies have examined the challenges inherent in trade disputes between Indonesia and the European Union. For example, Cantyani et al. (2023), in an article titled "*The Prisoner's Dilemma: Indonesia and the European Union in Export Commodity Disputes*," argues that although both parties should, in principle, be

able to collaborate to advance their mutual interests, prevailing economic conditions and high-risk factors, particularly those associated with disputes over nickel and palm oil, have prevented them from reaching a compromise. These dynamics illustrate how external pressures and market sensitivities can complicate efforts to achieve cooperative outcomes in international trade relations.

In addition, Sugianto (2023), in the article titled *"Analysis of International Trade Law in the World Trade Organization (Case Study of the Ban on the Export of Indonesian Nickel Ore to the European Union)"*, explains that Indonesia ultimately lost the case brought against it. In response to this, Indonesia built a policy of developing downstream nickel industries as a strategy to enhance the economic value of its nickel resources.

The article titled *"WTO Dispute Settlement Body Ruling on Export Ban of Indonesian Raw Nickel Ore: Private International Law Review"* observes that the WTO Dispute Settlement Body concluded Indonesia had breached GATT principles concerning non-discrimination and non-tariff restrictions (Martinelli et al., 2023). According to the paper, this finding could have warring implications for state revenue, the investment climate, the availability and management of domestic nickel resources, and Indonesia's future trade relations with the European Union. While the article proposes several policy alternatives to address these challenges, it does not assess the effectiveness or fairness of the WTO dispute settlement mechanism itself, nor does it examine the bargaining position of developing countries such as Indonesia within the forum. Other than that, this paper fully focuses on the rules and regulations as well as the lawful procedures.

In contrast, the existing literature rarely provides a comprehensive analysis of the potential role the WTO could play in resolving such disputes. Many studies appear to overlook the capacity of the WTO, as an international organization, to facilitate balanced assessments and mediate between the interests of member states. This gap underscores the need for a more in-depth examination of how the WTO might reform its institutional structures and processes to more effectively fulfill its mandate.

Methods

The research method used in this article is a qualitative research method, which aims to provide a comprehensive understanding of a case related to how behavior, perceptions, motivations, and actions, can affect the phenomenon as experienced by the research subject (Moleong, 1989). Qualitative research is different from quantitative, where this method does not depend much on the amount of data but focuses more on the sharpness of data quality, resulting in the smaller number of research objects that are used (Sugiyono, 2008).

By using qualitative methods, an in-depth explanation of the phenomenon of Indonesia's nickel raw material dispute at the World Trade Organization will be provided through descriptive analysis techniques based on credible data collected. The data used in this research is secondary data sourced from documents of World Trade Organization, documents and reports of the Ministry of Trade of the Republic of Indonesia, official website reports of the Indonesian Central Bureau of Statistics (BPS), national news media, and previous academic literature related to this research topic.

Most of the data collected is from the research library, and through this approach, the focus of the research will be on a comprehensive depiction of Indonesia's nickel raw material dispute case at the WTO brought by the European Union. The research library assisted in tracing the attitudes and policies taken in the face of this event, especially from the perspective of the Indonesian government. Therefore, the qualitative method is appropriate to be applied in analyzing this dispute phenomenon because it will provide flexibility to explore the problem in a multidimensional manner.

Result and Analysis

This section of the study therefore will first examine the central aspects of the proposed reform before comparing the empirical data obtained. Prior to discussing the specific subsections, it is essential to clarify the core issues at stake, including the definition and scope of WTO reform. This reform emerges in response to what has been described as an institutional crisis among member states, akin to an existential crisis within the organization itself. Recognizing the severity of this situation, the WTO has initiated internal reflections and facilitated discussions aimed at organizational restructuring, which have given rise to numerous proposals and recommendations. The reform encompasses the primary institutional pillars of the WTO, namely its three core functions: negotiation, dispute settlement, and monitoring and deliberation (Picard, 2023, 8). Furthermore, the WTO has formally expressed concerns in its official publications regarding several pressing issues, such as insufficient transparency, different treatments of certain member states, and the dysfunction of the dispute settlement mechanism.

Simultaneously, numerous trade disputes in the past decade have required particular attention, including the notable case concerning Indonesia's nickel export ban challenged by the European Union. This dispute centers on Indonesia's policy of prohibiting or restricting the export of nickel to markets outside its territory. Around 2019, the European Union brought this matter before the WTO, following approximately seven years of unsuccessful attempts to resolve the issue bilaterally. Although several appeals were subsequently submitted to the WTO Dispute Settlement Body, the case could not proceed to resolution due to the ongoing institutional dysfunction within the dispute settlement mechanism.

Therefore, how exactly does the WTO play a role in handling this case? The WTO exists as an international organization that has the authority to resolve disputes between Indonesia and the European Union in the context of nickel raw material export restrictions. Initially, the WTO served as a forum of consultations, through which the European Union submitted a request for consultation on November 22nd, 2019. This request sought to address measures related to the supply of nickel raw materials essential for stainless steel production. The European Union initiated this consultation based on concerns that Indonesia was, (1) imposing export restrictions or an outright ban on nickel; (2) requiring that nickel ore need to undergo domestic processing; (3) require domestic marketing of nickel products; (4) introducing specific licensing requirements for nickel exports; and (5) establishing a subsidy scheme deemed to be prohibited under WTO rules.

Secondly, the WTO is to facilitate the establishment of panels and appeal bodies to adjudicate disputes. In this context, the European Union submitted a request for the establishment of the panel on January 14th, 2021. The dispute settlement body, however, decided to defer this request until February 22nd, 2021, at which point a panel composed of third-party members was constituted. These include Brazil, Canada, China, Chinese Taipei, Japan, Korea, India, Russian Federation, Saudi Arabia, Singapore, Turkey, Ukraine, the United Arab Emirates, the United Kingdom, and the United States. The proceedings of this panel continued, culminating in the circulation of the panel report to all WTO members on November 30th, 2022. Knowing it had lost, Indonesia did not remain silent. Following an unfavorable ruling, Indonesia responded by lodging an appeal on December 8th, 2022, contesting the panel's legal findings and interpretations on the grounds that they were unsatisfactory and inconsistent with its position.

Indonesia's Violations

The primary issue underlying Indonesia's violation pertains to its measures aimed at prohibiting and restricting nickel exports, which were found to be inconsistent with key provisions of the treaty administered by the WTO. To assess Indonesia's misconduct, the WTO published the European Union's complaint and documented the procedural history prior to the disruption caused by the institutional dysfunction. According to the official WTO documentation, the dispute formally commenced on October 22nd, 2019, whereas the

European Union submitted a request for consultations with Indonesia concerning a series of export restrictions implemented by Indonesia. Indonesia agreed to participate in the consultation process, during which the European Union raised several concerns related to the nickel trade and cross-sectoral import duties imposed by Indonesia. These concerns included the imposition of export restrictions and outright export bans on certain nickel products, requirements mandating the domestic processing of raw nickel and other iron ore prior to export, specific export licensing requirements for raw materials, and the implementation of a prohibited subsidy scheme.

During these consultations, Indonesia rejected EU's allegations, arguing that its measures were justified by its national policy to promote downstream processing. It was expected that this explanation could lead to a dispute resolution. However, due to the dysfunction of the WTO Appellate Body, the dispute could not advance forward. Consequently, the proceedings continued, with the European Union maintaining its claims of violation, particularly citing Articles XI:1 and XI:2(a) of the GATT 1994, which prohibit certain forms of quantitative restrictions. These provisions specify the conditions under which raw materials may be restricted and identify circumstances in which processing requirements may be imposed prior to export. Indonesia, for its part, had imposed a ban on the export of low-grade nickel, which was not deemed critical to the country's trade interests, thus, the panel concluded that this prohibition lacked sufficient justification under the relevant WTO rules. Ultimately, these contested measures stemmed from Indonesia's policy objective of fostering downstream processing, which aims to increase national revenue by requiring raw materials to be processed domestically before export (Salinger, 1989). Therefore, had the institutional crisis within the Appellate Body not occurred, Indonesia's rationale for the prohibition might have been more promptly evaluated, potentially allowing the dispute to be resolved more efficiently.

Another issue raised by the European Union during the consultations concerned Indonesia's provision of subsidies, specifically whether these subsidies were consistent with the provisions of Article 3.1(b) of the Agreement on Subsidies and Countervailing Measures (SCM Agreement). The European Union included this claim in its consultation request on the grounds that Indonesia appeared to be supporting domestic producers rather than promoting the export of raw materials. During the panel proceedings, the WTO Dispute Settlement Body observed conflicting positions presented by both parties. This divergence of views highlighted the European Union's decreasing imports of Indonesian raw materials. In response, Indonesia argued that the export restrictions applied primarily to low-grade nickel ore, which it was of limited commercial significance, thereby justifying its domestic policy measures.

The EU and Indonesia adopted markedly different positions regarding this dispute. Indonesia sought to persuade the panel that its measures did not amount to an outright export ban but instead reflected a policy shift aimed at encouraging domestic processing of raw materials. In contrast, the European Union maintained that Indonesia's measures constituted a prohibition on the export of nickel ore and thereby breached the relevant WTO agreements. This divergence of perspectives created a complex legal and policy challenge, which was further complicated by the paralysis of the WTO Appellate Body. To properly assess this issue, it is important to consider Indonesia's rationale: the measures were not merely protectionist in nature but part of a broader strategy to promote downstream industrialization as a means of transitioning from a developing to a more advanced economy. In an effort to resolve the dispute of the ongoing WTO reform, Indonesia also explored alternative solutions, including negotiating with European companies to encourage direct investment and seeking recourse through the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) (Setiawan, 2023). Therefore, a comparative analysis of Indonesia's nickel trade with various trading partners is necessary to evaluate the broader economic impact of the dispute and to determine whether referral to the MPIA would be an appropriate course of action.

The Impact Towards Trade and Transparency

Ranked as the largest nickel-producing country, Indonesia occupies a significant position in global trade. Its geographical location within tropical and subtropical climate zones contributes to the country's abundant nickel reserves (Hanif, 2021). Consequently, many countries, including members of the European Union, rely heavily on Indonesia's nickel resources. Economic activity within the European Union, in particular, is closely tied to industries that process raw materials, making the security of a stable and sustainable supply of nickel ore a strategic priority (European Union, 2016). This context raises an important question regarding the trajectory of Indonesia's nickel import and export activities during the DS592 dispute.

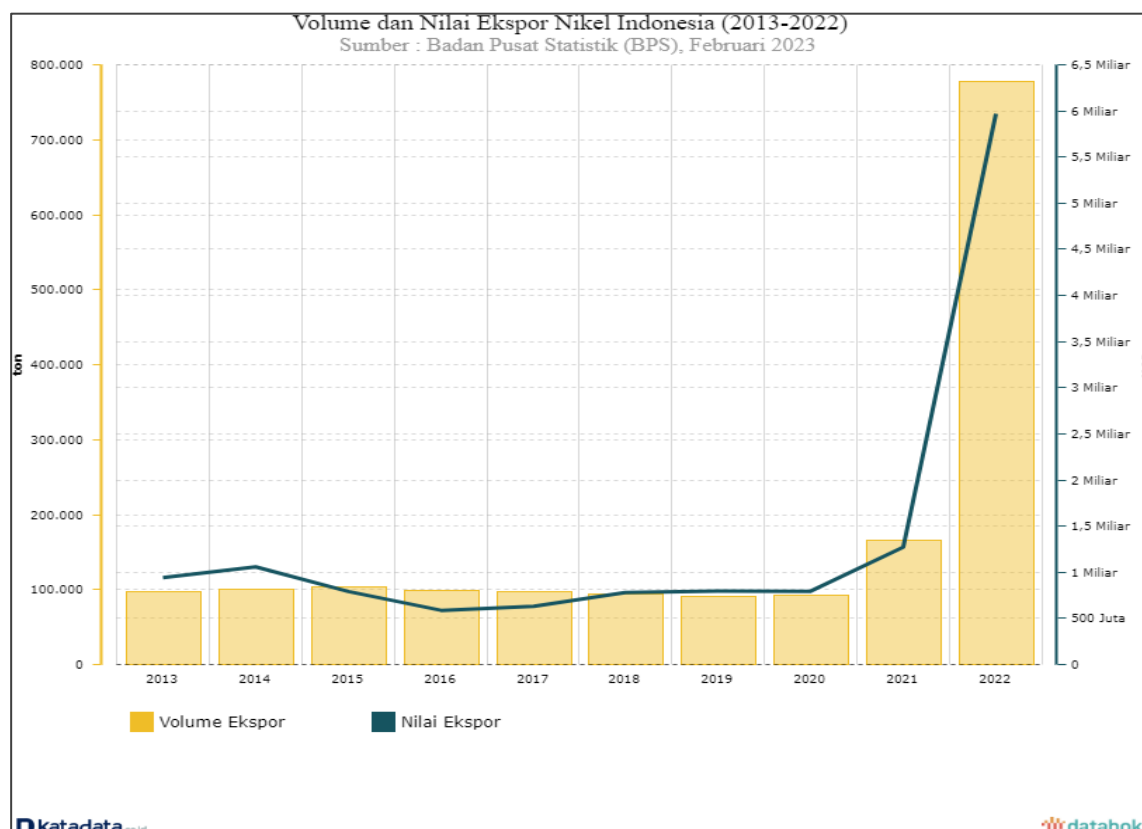


Figure 1. Indonesia's Nickel Exports Volume and Value (2013-2022)

Source: Indonesian Central Bureau of Statistics (BPS) 2023

Based on the Figure 1, the volume of nickel exports from Indonesia between 2013 and 2019 remained relatively stable, fluctuating within a range of approximately 90,000 to 100,000 tons per year. During this period, export revenues consistently reached between 500 million and 1 billion US dollars, highlighting the significant contribution of nickel exports to national income. However, growing concerns over declining nickel reserves prompted the Indonesian government to introduce measures aimed at preserving these resources through policies. Consequently, the Ministry of Energy and Mineral Resources (ESDM) officially announced the implementation of a ban on the export of unprocessed nickel ore, effective from January 1st, 2020, as part of Indonesia's broader strategy to safeguard its mineral wealth and ensure long-term economic sustainability (Sihotang & Suandika, 2023). The rationale underpinning this policy includes several key objectives: (1) downstreaming; (2) job creation; (3) increased investment; and (4) national development (Firdaus, 2022).

The promotion of downstream processing has become a central priority of the Indonesian government, aimed at enabling domestic processing and production of nickel resources without dependence on foreign technology or labor. As reflected in the graph above, notable increases in both the volume and value of nickel exports can be observed from 2021 onwards, coinciding with the establishment of 15 nickel smelters by the

end of that year (Data Indonesia, 2022). In accordance with the earlier policy of banning the export of unprocessed nickel ore, the development of smelters and refining facilities is intended to enhance the added value of national nickel production by shifting from exporting raw ore to semi-finished or even finished products. This strategic shift is hoped to bring substantial economic benefits to Indonesia. Notably, in 2022 alone, the export value of nickel products surged to 5.97 billion US dollars, representing a significant increase compared to previous years.

Therefore, despite the Indonesian government's implementation of the nickel export ban policy and the subsequent legal challenge brought by the European Union before the WTO, Indonesia's nickel trade has continued to persist. The key difference is that exports now primarily consist of processed nickel products rather than unprocessed raw materials, thereby generating higher added value and increased export revenues.

The WTO Reform and Nickel Dispute

To simplify the case, the necessity of reform extends beyond addressing the immediate dispute and encompasses the broader institutional framework of the WTO. The reform agenda emerged as a response to the organization's decline in fulfilling its fundamental objectives. This concern was explicitly highlighted at the 2018 Buenos Aires Summit, where G20 leaders acknowledged that the system had fallen behind its intended goals and required substantial improvement (World Trade Organization, n.d.). The roots of this decline can be traced to 2011, when the United States began blocking the appointment of new judges to the Appellate Body, which ultimately led to its paralysis and cessation in 2018 (Nur Annisa, 2022:167-168). Despite the US' obstruction, the Appellate Body remains vital for member states, particularly for developing countries, as it ensures equitable and comprehensive dispute settlement. In this regard, developing countries, including Indonesia, have frequently participated in disputes as complainants, defendants, or third parties. Consequently, the implementation of reform would provide significant advantages to Indonesia and other developing countries by reinforcing their capacity to seek fair resolution within the multilateral trading system (Nur Annisa, 2022:169).

At that time, the US produced a report based on the appellate body as a basis to their decision. The report concluded that the Appellate Body had overstepped its mandate in several respects, particularly through actions and rulings perceived as diverging from the core objectives of the WTO (Office of the United States Trade Representative, 2020:25; Bown & Keynes, 2020). According to the US, these deviations included failures to adhere to procedural rules agreed upon by member states, such as the requirement that no appeal process should exceed 90 days. The report further emphasized that the primary function of the Appellate Body is to operate strictly within the legal framework established by member states, rather than to create new interpretations of the law. In essence, the United States called for strict compliance with existing rules and regulations, a position that can be regarded as legitimate. Nevertheless, Bown & Keynes (2020) argue that the U.S. stance was also influenced by broader concerns, particularly the imposition of tariffs and challenges to its position in the international economic order. In this context, the U.S. approach may be interpreted as an effort to safeguard and advance its own national interests.

The discontentment expressed by the United States emerged as one of the principal factors contributing to the cessation of the Appellate Body, thereby obstructing the appointment of a new panel of members. This is not only disadvantageous for the organization, but also for Indonesia with its own unfinished dispute settlement regarding the nickel dispute. Consequently, Indonesia was constrained to undertake only limited measures, such as participating in the establishment of the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) and engaging in diplomatic lobbying efforts. Furthermore, reform initiatives have been pursued from approximately 2020 to 2025; however, these efforts have thus far either proven unsuccessful or remain ongoing, with the continued expectation of restructuring and reactivating the Appellate Body in a

manner that equitably benefits all member states. (Parizek & Weinhardt, 2025; World Trade Organization, n.d.).

Regardless of the persistence of the reform, Indonesia's nickel downstreaming policy will continue to advance. As the pursuit of Indonesia's national economic interests remains a priority, it is imperative to reassess the effectiveness of the WTO regime in ensuring compliance and maintaining its relevance in the global trade system. When the regime itself has failed Indonesia's needs and interests, they move to the ways that are easier and have shown more promise to keep their interest in check, which are lobbying and establishing bilateral relations with promising partners. To ensure the implementation of its nickel downstreaming policy, Indonesia has entered into several cooperative agreements with countries such as China, aimed at sustaining the downstreaming agenda (Palaon & Walker, 2024; Fahik & Putri, 2024). Although these initiatives remain relatively new and are accompanied by various challenges, they represent Indonesia's strategic efforts to safeguard its national interests amid ongoing trade disputes that may generate further complications. Looking ahead, not only must Indonesia reassess its domestic priorities, but the WTO itself must also reexamine its role in maintaining fairness and openness in global trade. This necessitates a critical evaluation of whether the organization continues to operate in accordance with the principles originally agreed upon by its members, alongside the pursuit of comprehensive structural reforms.

Indonesia's alleged protectionist measures were regarded as violations within the report submitted to the WTO by the EU, although Indonesia framed these actions as part of its domestic policy aimed at enhancing local welfare. Nonetheless, such measures have also been interpreted as attempts by the EU to reopen and dominate Indonesia's nickel market (Hertanti & Troost, 2024). Nickel mining in Indonesia itself presents complex challenges for local communities, highlighting the necessity for Indonesia to critically reassess its internal decision. At the same time, the EU must uphold its socio-environmental standards, particularly in its engagements with developing countries such as Indonesia, in the context of nickel mining and trade (Hertanti & Troost, 2024). Ultimately, the situation underscores the need for both international organizations and state actors to restructure and reevaluate their approaches. Through such reflection, reform initiatives and dispute settlement processes may eventually reach more effective and timely resolutions.

Conclusion

In 2019, the WTO received a formal request from the European Union to facilitate consultations and mediate a dispute concerning nickel trade measures imposed by Indonesia. Following approximately seven years of negotiations and close trade relations, the EU concluded that Indonesia had introduced prohibitions and export bans that adversely affected nickel supplies essential to European industries. The dispute has since persisted over several years and, to date, remains unresolved. As one of the world's major nickel exporters, Indonesia continues to be affected by the broader context of WTO reform, particularly the dysfunction within its dispute settlement mechanism. Despite these legal and institutional challenges, the overall volume of Indonesia's nickel exports has not shown significant changes before and after the imposition of the export ban. The primary change lies instead in the nature of the exported and imported products. Instead of importing unprocessed raw materials, the European Union will subsequently receive domestically processed nickel products from Indonesia.

The ongoing dispute between Indonesia and the European Union, currently under the facilitation of the WTO, is unlikely to reach a resolution until comprehensive institutional reform is established. Specifically, the establishment of a restructured set of panels is required to restore the effectiveness of the WTO's dispute settlement mechanism. In the interim, Indonesia has sought to advance its trade interests through alternative strategies, including attracting investment from European companies to support domestic industrial development, thereby shifting from the export of raw materials to local processing and production. Additionally, Indonesia has pursued engagement with the Multi-Party Interim Appeal Arbitration Arrangement (MPIA) and sought broader international support to resolve the dispute. Through these

measures, Indonesia aims to implement its downstreaming strategy more effectively, reducing its dependency on developed countries and increasing the domestic value added to its exports. Operationalizing the MPIA would also facilitate the resumption of mutually beneficial trade relations between Indonesia and the European Union.

Moreover, the broader role of the WTO as an international organization warrants renewed attention, particularly regarding its mandate to function as a neutral facilitator of trade negotiations, dispute resolution, and policy monitoring. Meaningful reform is essential to ensure that the WTO serves the interests of all member states, rather than predominantly benefiting developed economies. Sustaining the relevance and legitimacy of the WTO depends on its capacity to oversee disputes impartially and uphold equitable participation across its membership. It is anticipated that the resolution of this dispute will enable Indonesia and its trading partners to establish a more stable and cooperative framework for their trade agreements. Indonesia must remain steadfast in its commitment to downstream industrialization and trade strategies, as these measures have the potential to significantly strengthen the domestic economy and reinforce the national trade cycle. At the same time, maintaining close economic ties with the European Union through the export of processed nickel products will support both economic growth and sustained international partnership.

Acknowledgments

The authors did not receive financial support from any other entities for this research.

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