CHAPTER I
INTRODUCTION

1.1   Background

The world's transition from the use of non-renewable fossil fuels to renewable energy has resulted in an upward trend in demand for mining commodities, especially nickel, which is a key component in the manufacture of Electric Vehicles (EV). This is supported by the world's commitment to zero net emissions by 2050, as renewable energy is targeted to dominate two-thirds of the world's energy needs soon (Agung & Adi, 2022). Furthermore, with the issue of climate crisis and global warming, countries have turned to developing clean energy technologies that require components and materials that are no less complex than fossil energy. In comparison, electric vehicles require three main components, namely nickel, lithium and cobalt, which are classified as rare earth materials and cause polemics for countries that want to develop their clean energy industry but do not have enough capacity in terms of raw material.

Amid these obstacles, nickel, which accounts for more than 80% of the main components of electric vehicles, is a great fortune for Indonesia, which currently ranks first as the country with the most nickel reserves in the world. As recorded in 2019, Indonesia's nickel production capacity reached 853,000 metric tons (mt), and this figure increased 138.8% from production in 2018 which only amounted to 560,000 mt. This wealth has succeeded in strengthening Indonesia's position in the international trade arena, with the largest export value controlled by China and European countries (Rezki, 2023). Indonesia's abundant nickel reserves have positioned the country as a pivotal supplier in the global shift towards renewable energy and electric vehicles, further enhancing its influence in international markets.

The type of nickel found in Indonesia is nickel oxide or laterite, which then, through the smelting process, produces Limonite (low grade) and Saprolite (high grade) (Zaidan & Garinas, 2021). Saprolite nickel processing is done through a pyrometallurgical process to produce ferronickel, nickel pig

iron (NPG), and nickel matte, which are classified as second-grade nickel and are used as the main material for stainless steel and the household industry. While low-grade nickel goes through a much more difficult extraction process than saprolite nickel, so before 2019, Indonesia relied heavily on foreign smelters to process low-grade nickel ore through a process called hydrometallurgy to produce mixed hydroxide precipitate (MHP) and classified as the first-grade nickel (Indonesian Nickel Media, 2022). In its development, first-grade nickel, consisting of 99.8% nickel, is one of the three main components of electric vehicle batteries (Pandyaswargo et al., 2021). This advancement has encouraged Indonesia to enhance its smelting capacity, reducing reliance on foreign facilities and increasing the added value of its nickel production.

Nickel export activities in Indonesia initially ran smoothly with the high level of demand for laterite nickel ore, especially for steelmaking purposes. Nickel ore, as a whole, made a positive contribution to the Indonesian economy from the trade balance, which continued to run a surplus during this period. The market share for laterite nickel is indeed much higher than that of oxide nickel, accounting for 60% of total demand. Indonesia is the owner of the largest laterite nickel reserves, reaching 21 million tons or 23.7% of the world's total nickel ore reserves (Ministry of Energy and Mineral Resources, 2020). This figure far surpasses countries with other large nickel reserves, such as the Philippines and Australia. Saprolite nickel is mainly managed to support the steel processing industry; thus, China, Japan, Australia, Ukraine, Greece, and other European countries dominate as the largest export countries.

Nickel export volumes of both Limonite (with special provisions) and saprolite were highest in the period before 2014 (Erikson Sihotang & I Nyoman Suandika, 2023). However, after 2014, Indonesia began implementing export restrictions and prioritizing domestic processing to enhance the added value of its nickel resources. In 2009, Indonesia, for the first time, issued the MINERBA Law, which legally banned the export of nickel in raw form and required companies to conduct domestic refining starting January 2014. This regulation

will not have a significant impact on saprolite nickel because many Indonesian nickel mining companies already have refineries.

The constraint is in the processing of limonite nickel ore, which requires more complex expertise, technology and infrastructure than saprolite nickel and at that time, there were no refineries that could process Limonite raw materials with concentrations below 1.7% (Wibisana & Radhica, 2023). Many feared that the enactment of this law would cause the opposite effect, such as Limonite could not be processed and ended up as waste. The next consequence is protests from other countries over Indonesia's attitude to closing the nickel laterite export market share that has been running for several years, especially for countries with large steel industries (Puguh Prasetyo, 2016). However, Indonesia's export policies and downstream industry development have since shifted focus toward increasing domestic processing, impacting the volume and destination of nickel exports.

Indonesia's policy, on the other hand, can be seen as a form of state effort to protect limited natural resources and utilize them for the benefit of society. The effort is made by developing a domestic downstream industry through the establishment of smelters that can process saprolite and limonite nickel ores into final-grade materials. Downstreaming is generally carried out to meet domestic needs or to increase state revenues (Cahyani, 2023). Indonesia's nickel ore reserves, especially for the limonite type, are still far from critical, but it should be noted that the demand for saprolite ore is greater than for Limonite, so the current amount of limonite reserves is still quite abundant when compared to saprolite.

For comparison, the amount of saprolite nickel consumption annually reaches 210 million tons with a usage ratio of less than six years. Meanwhile, Limonite is only produced around 23.5 million tons per year with a usage ratio of 33 years remaining (Muliawati, 2023). The Indonesian government is concerned that without special regulations regarding nickel management and they continue to allow nickel to be exported in the form of raw ore, it will be soon before limonite reserves are depleted, as is happening with saprolite ore

today. This is also based on the world's shift towards clean energy, so the demand for limonite nickel is expected to continue to increase as the main raw material for the manufacture of electric vehicles.

The European Union is one of the regions in the world that has established trade cooperation with Indonesia for a long time, especially for metal and mineral mining commodities, including nickel. This is mainly due to fact that the European Union has a large steel industry capacity, so nickel ore exports

Indonesia, along with other ASEAN countries, has realized the urgency of the threat possessed by climate change by publishing an outlook that states it will reduce dependence on fossil energy such as fuel oil, which contributes to 4% of global carbon dioxide emissions and achieve zero emissions in 2050 and 2065 (Radhica & Wibisana, 2023). Overall, in 2020, ASEAN fossil energy use reached 668 million tons of CO2e and as much as 32% of it was generated from Indonesia and is expected to continue to increase to a much higher 71% in the following year, according to data from the International Energy Agency (IEA) (Handayani et al., 2022) Indonesia itself has an alarming fuel oil consumption rate of 1.4 million barrels per day (bpd), but this is not matched by the national oil production capacity of only 703,000 bpd. To make up the difference, the government must import oil from outside, which results in losses in the country's trade balance and current account (Ainun Aisyah, 2023). This makes the transition to clean energy in the development of electric vehicle batteries to replace conventional vehicles that use fuel a crucial project not only for the environment but also for the Indonesian economy.

After temporarily easing nickel ore exports in 2017, Indonesia again passed Mining Law No. 25 of 2018, which was later amended through Mining Law No. 11 of 2019 to stop nickel ore exports. This law was originally planned to be effective in 2022 but was accelerated two years earlier, and finally, on January 1, 2020, nickel ore exports below 1.7% were officially banned (Nugroho, 2022). The European Union was quick to react to this ban, a departure from Indonesia's nickel ore bans in 2014, where the EU and even China were more passive. The Indonesian government remains consistent with

its policy to protect nickel by considering that smelters in Indonesia are sufficient to process saprolite nickel ore independently and has also succeeded in attracting several investors to fund hydrometallurgical smelter construction projects to process limonite nickel ore.

The European Union officially filed a lawsuit against Indonesia's nickel protection issue to the World Trade Organization (WTO) as an international organization that houses two disputing parties - the European Union and Indonesia and regulates the flow of world trade with two principles of harmony: Free and Fair trade. The complaint is named DS592: Indonesia - Measures Relating to Raw Materials. Indonesia is claimed to have violated Article XI paragraph (1) of the General Tariffs and Trade (GATT) 1994 regarding the elimination of import quantities (Rizal Budi Santoso et al., 2023). Indonesia's actions to limit exports of raw materials or commodities are considered to interfere with the principle of granting the widest possible freedom of access to international trade, the principle of non-discrimination, and the principle of freedom of trade.

Indonesia, of course, did not remain silent and in its defense, has claimed that its policy can be granted an exception through Article XI paragraph 2(a) that export restrictions can be imposed to prevent scarcity of essential products for the parties involved Alternatively, Indonesia has also invoked Article XX(d), which states that any measure aimed at complying with government rules or regulations that are not inconsistent with the GATT may be exempted from its obligations as a WTO member. The two claims from each party were then processed through the panel responsible for dealing with state disputes at the WTO, called the *Dispute Settlement Body* (DSB) and in October 2022, Indonesia lost the lawsuit.

Indonesia's defeat in the lawsuit at the WTO by the European Union was due to the DSB not finding strong evidence of the two claims submitted by Indonesia. First, regarding *Article XI paragraph 2(a)*, Indonesia was unable to provide data that could support its defense that there was a scarcity of nickel resources that required immediate action to limit exports. Indonesia is also

unable to present plans and actions that will be taken in the future to prevent the scarcity of both types of nickel (low grade and high grade). This is related to the construction of smelters in Indonesia, which is considered insufficient, especially for low-grade nickel, so it is feared that it will end up as waste.

Therefore, Indonesia's claim in article XI paragraph 2(a) regarding product scarcity is considered irrelevant. Then, regarding article XX (d), the three Indonesian regulations that could provide exceptions were also declared incompatible with the provisions of the GATT. Indonesia is also proven to have carried out export restrictions periodically, not in the sense of 'temporary' or starting from seven years since the nickel export restrictions through the Minerba Law No. 4 of 2009 (WTO, 2022; Zaki et all., 2023). Despite its defeat at the WTO, Indonesia continues to pursue protectionist policies. In 2023, Indonesia boldly expressed its intention to file an appeal while continuing to accelerate the construction of smelters in several upstream nickel centers.

President Jokowi, through his interviews with several local media, assured the public that Indonesia's defeat in the nickel dispute at the WTO was only because the domestic downstream industry still needed to be completed. While waiting for the appeal decision, which was disrupted due to the blockade from the United States at the WTO, Indonesia will continue its protection policy and emphasize that downstream is Indonesia's strategy to become an independent country from the exploitation of natural resources that has been carried out by Western countries since decades ago (Yanwardhana, 2023). Indonesia's natural resources have been irresponsibly depleted over the years by foreign actors, causing both material and moral harm to the people of Indonesia (Zaki et al., 2023). By strengthening its downstream industry, Indonesia aims to maximize the added value of its natural resources, ensuring long-term economic benefits and reducing dependency on raw material exports.

In one of the GATT articles, there is Article XXI, which can support Indonesia's claim regarding sovereignty over natural resource management, Especially Article XXI (b) (iii) that states can take necessary actions for security reasons such as war or emergencies in international relations. The

sentences in the article that are considered ambiguous are such as *'necessary things'* and *'emergencies'*. The concerned state can take any action contrary to the WTO, and no one can stop including other institutions or countries if the concerned state has determined the situation is crucial. It is done with respect to protect the security of the country (Malikova, 2021). This falls under a principle called the self-judging principle, which states that every country has the right to define what it considers to be national security.

However, it should be underlined that the self-judging principle is a right used in good faith, and the final decision to recognize the validity of national security is still left to the institution, not the state (Sussex et al., 2017). Based on the author's description above, there is an urgency to conduct research related to the Analysis of New Renewable Energy (EBT) Down streaming Policy through Protection in Countering the WTO Lawsuit.

1.2   Research Question and Limitation

This research focuses on Indonesia's experience with the World Trade Organization (WTO) lawsuit during the period from 2019 to 2023. This timeframe is critical as it marks significant developments in Indonesia's trade policies and disputes, beginning with the 2019 WTO lawsuit against Indonesia's nickel export restrictions for low-grade nickel ore. Indonesia faced a defeat at the first hearing but has since continued its nickel protection policies while investing in refinery development to support low-grade ore processing. In 2023, Indonesia formally filed an appeal against the WTO decision, further intensifying the legal and policy landscape. Given these developments, this research aims to address two key questions:
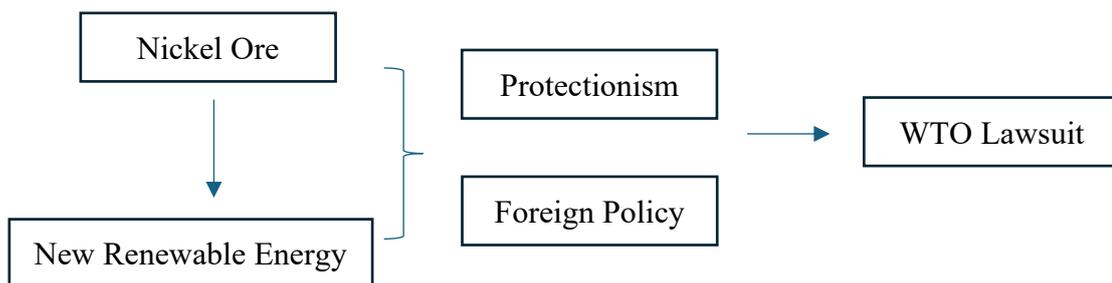
1. How has Indonesia responded to the WTO ruling on its nickel downstreaming policy?
2. What opportunities and challenges does Indonesia face following the WTO ruling on nickel downstreaming?

1.3   Research Objectives and Benefits

A. The objectives of this research are as follows:

1. Identifying Indonesia's policy response to the WTO ruling on nickel downstreaming

2. Analysing the opportunities and challenges Indonesia faces following the WTO ruling on nickel downstreaming

B. The expected benefits of the research are:

1. This research will provide new insights and a comprehensive study of Jokowi's five-year downstream policy, particularly in the context of resource nationalism. It aims to analyze the long-term impacts of his policies on Indonesia's economic strategy, particularly focusing on the role of nickel in fostering national industrialization and self-sufficiency.

2. This research will serve as an additional reference for future scholars studying Indonesia's potential in nickel downstreaming policy, particularly in relation to President Jokowi's transition and the downstream policy under President Prabowo Subianto.

1.4 Conceptual Framework

Figure 1. Conceptual Framework

Source: Author

The author uses a conceptual framework to make it easier for the author to analyze the relationship between the two concepts to be used, namely Free Trade and National Security on downstream policies through the protection of Indonesian nickel against the WTO lawsuit.

1.5 Research Methods

1. This research was conducted qualitatively with a descriptive method. The author uses a qualitative method by trying to describe Jokowi's New Renewable Energy (EBT) Downstreaming Policy through Nickel Protection

in Countering the WTO Lawsuit. In general, the literature review can be defined as a research method based on data sources in the form of previous research, articles, journals, and others.

2. Data Type

The type of data that the author will use as a whole is secondary data, which is a collection of news, government policies, scientific journals, discourses, and others that are relevant to the issues raised. The overall data will be processed to form conclusions that answer the two research questions.

3. Data Collection Technique

To collect data, researchers use the Library Research method, which is a method used to study literature books, legislation, and other written materials related to the discussion material used to support this discussion.

4. Data Analysis Technique

Data processing is carried out using deduction and induction data processing techniques by describing specifically the case of the WTO lawsuit against Indonesia for Protection to support the development of New Renewable Energy. The author will analyze the case raised through the entire conceptual framework.

CHAPTER II
LITERATURE REVIEW

2.1 Foreign Policy

Foreign policy refers to a state's behaviour beyond its domestic sphere, particularly in its interactions with other actors in the international arena. At its core, foreign policy can be understood as the central government's management of actions and strategies directed toward external entities, including other states, international organizations, and global institutions (Teixeira, 2008). These actions are guided by specific goals the state seeks to achieve or defend—goals collectively referred to as the national interest. In formulating and implementing foreign policy, the central government is primarily driven by this national interest, which serves as the foundation for strategic decision-making (Morgenthau, 1973). The national interest shapes the government's commitment to maneuver on the global stage, influencing its efforts to secure favourable outcomes in diplomatic negotiations and international agreements. It represents what the state deems essential—what must be pursued, protected, or promoted in the face of international challenges and opportunities.

National interest can generally be divided into two main purposes: the preservation of national security and the pursuit of national development. Security interests involve safeguarding territorial integrity, protecting sovereignty, and preventing external threats (Crelinsten, 1989; Stolberg, 2010; Sussex et al., 2017) Developmental interests, on the other hand, focus on economic growth, technological advancement, and improving the state's position in the global economy. To realize these objectives, a state will seek to project its will through both domestic and international means—whether by enacting national laws and institutional policies, or by forming alliances, entering into treaties, and engaging in multilateral cooperation (Akimova & Lysachok, 2018). The core of this strategic will lies in the national interest, as it determines what actions the state should take, what risks it is willing to bear, and to what extent it is

prepared to form, maintain, or even break international alliances. National interest, therefore, is not only the rationale behind foreign policy—it is its very foundation and compass.

Foreign policy making has long been a subject of intense debate among scholars of international relations and political science. A central point of contention lies in identifying which factors most accurately or powerfully influence foreign policy decisions. In response to this complexity, scholars have developed *Foreign Policy Analysis (FPA)* as a distinct subfield within international relations. FPA sets itself apart by emphasizing the role of specific actors—whether individuals, groups, or institutions—in shaping a state's external behavior.

Unlike broader theories of international politics, such as realism or structuralism, which often focus on systemic forces like the balance of power or the anarchic nature of the international system, FPA directs attention to the internal dynamics of states. It investigates the decision-making processes, beliefs, preferences, and interactions of key domestic actors involved in foreign policy formulation (Song, 2023). By doing so, FPA offers a more actor-centered and granular perspective, allowing for nuanced explanations of why states behave the way they do on the international stage.

One of the earliest and most influential thinkers on foreign policy crises during the Cold War era was Graham Allison, best known for his seminal work *The Essence of Decision: Explaining the Cuban Missile Crisis*. In this book, Allison introduced a groundbreaking framework for understanding how foreign policy decisions are made, using the 1962 Cuban Missile Crisis as a case study. He argued that foreign policy cannot be fully explained by a single approach and instead proposed three distinct models to capture the complexity of decision-making processes within states.

The first is the RAM, which views the state as a unified, rational entity making calculated choices to maximize its national interest. The

second is the Organizational Process Model, which emphasizes the role of established routines, standard operating procedures, and bureaucratic limitations within large organizations that implement foreign policy. The third is the Governmental (or Bureaucratic) Politics Model, which highlights the internal power struggles, negotiations, and competing interests among individual actors and agencies within the government. Each model offers a different lens through which foreign policy decisions can be interpreted and understood.

At its core, the field rests on the assumption—often tacit—that international political outcomes are ultimately the result of human agency. That is, foreign policy is not merely a reflection of impersonal systemic forces, but the product of choices made by identifiable actors operating under particular domestic and international conditions. In this sense, FPA is concerned with understanding *how* foreign policy decisions are made, *why* they are made, *who* makes them, and *what* consequences they produce (Bindra, 2019).

This involves analyzing both the internal dynamics of the decision-making process—such as leadership psychology, institutional interests, bureaucratic politics, and cultural or ideological influences—as well as the broader external environment in which these actors operate. The scope of FPA extends from single-case studies focusing on a particular state or crisis to comparative analyses across time, space, or regime type, with the aim of uncovering patterns or generalizable insights about state behavior in the international arena.

By emphasizing the micro-foundations of international politics, foreign policy analysis serves as a critical bridge between individual and systemic levels of analysis, offering a nuanced understanding of how strategic decisions emerge from the complex interplay of personal beliefs, organizational constraints, domestic politics, and global pressures.

Anna van der Vleuten (2001) distinguishes between three dimensions of state survival: political, economic, and ideological. The

political dimension includes both the government's objective to remain in office and the state's interest in maintaining its power position in the international system. Bull (1977) similarly emphasizes the importance of state credibility as a fundamental aspect of international interactions. These foundational perspectives highlight how survival interests drive foreign policy decisions. Foreign policy is a complex process influenced by both domestic and international dynamics. States pursue strategies to maintain their survival, shaping their foreign policies based on political, economic, and ideological considerations (van der Vleuten, 2001). Foreign policy analysis (FPA) provides a framework for understanding how leaders, institutions, and societal influences shape foreign policy (Hudson, 2005).

The relevance of this theory to the present case lies in understanding how Indonesia's foreign policy decision on nickel protectionism—implemented through the downstreaming policy—was formed and can be examined through the three analytical lenses of Graham Allison's models. The downstreaming policy had been envisioned since 2009 under President Susilo Bambang Yudhoyono, implemented on a limited basis in 2014, and only came into full effect in 2020. Applying foreign policy theory allows for a deeper exploration of the underlying factors that drive a state to adopt such a policy, particularly when it is rooted in clearly defined goals. In this case, the policy embodies the pursuit of national interest, combining the objectives of economic development with the assertion of sovereignty over strategic natural resources. This case will be further analyzed in Chapter IV through the thorough application of Foreign Policy Analysis, as well as examining the continuation of Indonesia's strategy in winning the case through the maturity of its smelting industry.
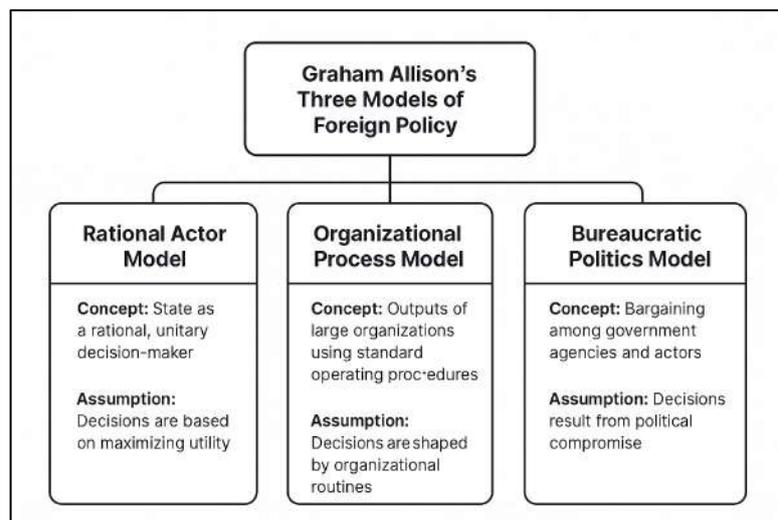
Figure 2. General Assumption of Allison's FPA

(Processed by Author)

- **The Rational Actor Model**

The Rational Actor Model or *RAM,* introduced and elaborated by Graham Allison (1971) in his seminal work *The Essence of Decision: Explaining the Cuban Missile Crisis*, has become one of the most recognized frameworks in foreign policy analysis. In *Essence*, Allison used the Cuban Missile Crisis of 1962 as a case study to explore how state behaviour could be interpreted through different analytical lenses. Among the three models he developed, the Rational Actor Model emerged as his conceptual hallmark.

RAM operates on the foundational assumption that states behave as coherent, unitary actors making calculated decisions to maximize their strategic interests. The model seeks to explain international events by reconstructing the aims, interests, and calculated choices of governments—an approach that has become the hallmark of rationalist thinking in international relations.

Contrary to the common perception that FPA attempts to break away entirely from conventional international relations paradigms like realism and liberalism, it can be argued that the rationalist logic within RAM draws heavily from the rational approaches inherent in realism.

Realists contend that all decision-makers are inherently rational and generally similar in their goals and strategies when it comes to foreign policy (Alolaimy, 2020). This assumption was particularly resonant in earlier historical periods—especially under the European monarchies prior to the world wars—when political authority was centralized in the figure of the monarch, who had unilateral control over both internal governance and external diplomacy.

However, after the Second World War, attention to individual leaders in foreign policy analysis declined. This shift was driven by the growing complexity of state governance and the rise of non-governmental actors, including interest groups, international organizations, and public opinion, which began to influence foreign policy outcomes (Smith, 1986). In modern contexts, FPA scholars often find it challenging to determine whether foreign policy decisions reflect the preferences of a dominant government authority or the influence of collective actors and public interest. This ambiguity is especially pronounced in the Rational Actor Model, which, despite its analytical simplicity, tends to overlook the messy, human dynamics of decision-making.

Indeed, RAM's conceptualization of a singular, rational decision-maker is often criticized for its overgeneralization. Human beings—even those in positions of ultimate authority—are complex and shaped by a multitude of factors: personal beliefs, cultural backgrounds, education, historical context, and social interactions. These dynamics make it difficult to apply RAM as a universally accurate model of foreign policy. Compared to Allison's other models, RAM appears more abstract and less equipped to account for the layered realities of human decision-making in international affairs.

According to Allison (1971, p. 28), decision-making under RAM "*presupposes a decider and a choice among alternatives with reference to some goal.*" In this model, foreign policy is understood as a series of deliberate actions taken by purposeful agents—governments or their

leaders—based on the assumption that human beings act rationally. Allison and Zelikow (1999, p. 13) argue that "*policy means realisation in a number of particular instances of any agent's objectives*," and these objectives reflect the agent's broader goals and interests.

The Rational Actor Model is built around four core concepts:

- **Goals and Objectives** – These refer to the values and interests of the actor which are translated into a utility or preference function. This function ranks all possible outcomes in terms of their desirability or usefulness in achieving the actor's goals. The model assumes that rational actors are capable of prioritizing among competing objectives and side effects to determine the best course of action.

- **Alternatives –** A rational decision-maker identifies a range of possible actions. Each alternative is evaluated based on its potential to achieve the stated goals.

- **Consequences** – For each alternative, the actor considers the expected outcomes—both positive and negative. This step involves forecasting and assessing the impact of each potential choice.

- **Choice** – Finally, the actor selects the course of action that promises the greatest utility or best achieves the defined goals. This is a deliberate, reasoned decision based on a comparison of outcomes.
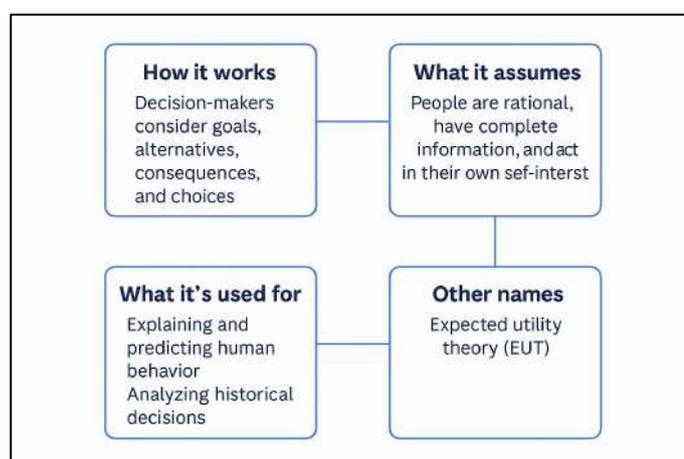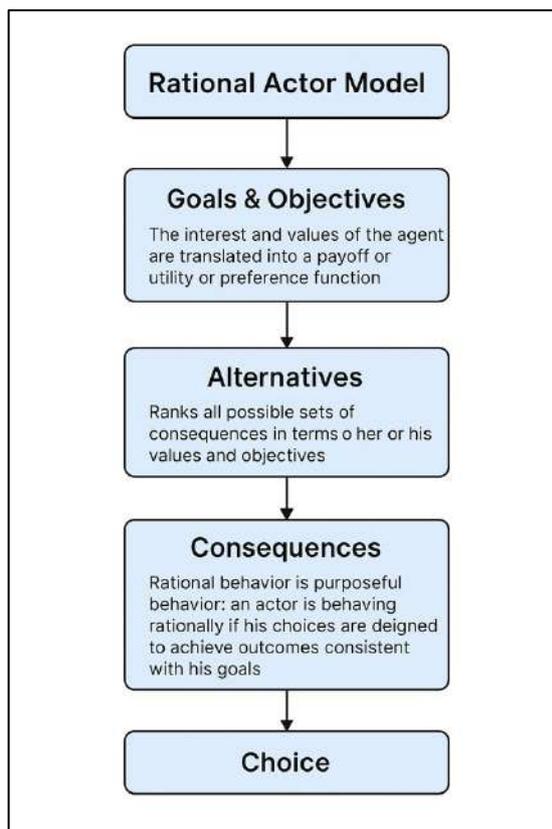
Figure 3. Four Core Concepts of RAM

(Processed by Author)

This decision-making process is often referred to as *instrumental rationality*— the idea that actors relate means to ends in a logical and goal-oriented manner. An action is considered rational not because it is morally justified or widely accepted, but because it is *consistent with the actor's objectives*. Allison highlights that rationality is a functional concept: if an actor's means aligns with their ends, then their behaviour qualifies as rational—even if their goals are morally reprehensible or incomprehensible to outsiders. For example, if Hitler's goal was to exterminate Jews, then, horrifying as it is, the Final Solution would be interpreted within this model as a rational act aligned with his objectives. Similarly, if suicide bombers believe their actions will lead to spiritual reward

or family compensation, then their self-destructive violence is also rational within the logic of instrumental reasoning.

While deeply rooted in international relations, RAM's influence extends to economics, decision theory, and game theory—disciplines that similarly model behaviour through assumptions of rational calculation and utility maximization. Ultimately, the Rational Actor Model treats foreign policy choices as the product of an idealized, sequential process given a specific problem or crisis, a rational decision-maker evaluates national goals, identifies the most effective means, considers the consequences, and makes a calculated decision to achieve the most favourable outcome.

How it works
Decision-makers consider goals, alternatives, consequences, and choices

What it assumes
People are rational, have complete information, and act in their own sef-interst

What it's used for
Explaining and predicting human behavior
Analyzing historical decisions

Other names
Expected utility theory (EUT)

Figure 4. Decision Making Process

(Processed by Author)

The Rational Actor Model is not only influential within the field of international relations, but it also aligns with concepts found in other disciplines, such as economics, decision theory, and psychology. Contrary to critiques that treat RAM as a simplistic or opaque "black box" model, scholars have worked to refine and humanize its assumptions. For instance, Valerie M. Hudson (2005) drawing on the work of Ole Holsti (1970), highlights how

psychological and sociocultural factors can be integrated into foreign policy analysis. Holsti expanded the framework by examining how a state's behaviour is shaped by its national self-perception and its perceived role in the international system. Through this lens, foreign policy decisions are not merely products of abstract calculations, but also reflections of how a nation sees itself and its impact on global affairs.

In several real-world cases examined within FPA the RAM often struggles to intersect neatly with the other models proposed by Allison—particularly the Bureaucratic Politics Model and the Organizational Process Model. A prominent example is the 1980 U.S. hostage crisis in Iran. During the crisis, significant divisions emerged within President Jimmy Carter's administration regarding the use of military force to rescue the hostages. On one side was a core group that supported military intervention, consisting of National Security Advisor Zbigniew Brzezinski, Secretary of Defence Harold Brown, Chairman of the Joint Chiefs of Staff David Jones, and CIA Director Stansfield Turner. Opposing them was a lone counsellor who strongly objected to the use of force.

In addition, a smaller faction within the administration prioritized political considerations, viewing the rescue mission as a potential boost to Carter's re-election campaign. These conflicting preferences and institutional agendas illustrate the kind of "pulling and hauling" described by the Bureaucratic Politics Model. Despite an initial consensus to proceed with the military operation, the eventual breakdown in coordination among these groups contributed to the failure of the mission—Operation Eagle Claw. This case exemplifies how foreign policy decisions are not always the product of a unitary rational actor, but often emerge from

internal bargaining, institutional friction, and competing personal or political motives (Redd & Mintz, 2013).

The underlying assumption in this framework is that, despite the complex interplay of international and domestic factors, bureaucratic dynamics, and individual psychological influences, the primary unit of analysis in international relations remains the nation-state. Each state is assumed to act in pursuit of its national self-interest. This national interest is portrayed as so dominant and unifying that all actors within the state—regardless of personal beliefs, organizational roles, or institutional affiliations—are seen as wholly devoted to advancing it. In this view, differences in bureaucratic structures or individual personalities are considered secondary or subordinate to the overarching goal of national interest (Allison, 1971).

Some scholars, such as David Welch (1992), have argued that the RAM is fundamentally unreliable for analyzing the foreign policy of modern states. Welch contends that RAM rests on a flawed assumption: that states are unitary, purposive, and rational entities capable of making coherent, calculated decisions. In practice, however, states are fragmented political systems, composed of competing agencies, bureaucracies, and individual actors, each with divergent interests and varying degrees of influence. Therefore, the idea that a state can act as a singular rational actor is not only overly simplistic but also empirically problematic.

Criticism also arises from the fact that Allison's initial formulation of RAM in *The Essence of Decision* largely ignores the internal complexities of decision-making, such as bureaucratic rivalry and organizational constraints. Ironically, these very dimensions are central to the two alternative models that Allison himself proposed in the same work: the Organizational Process Model and the Governmental (Bureaucratic) Politics Model. This inconsistency

has led some scholars to question the validity of RAM as a standalone analytical framework. For example, Jonathan Bendor and Thomas Hammond (1992) argue that RAM tends to overshadow the importance of process, communication, and institutional design, thereby failing to capture how decisions are actually made in real-world policy environments.

Furthermore, Steve Smith and Michael Clarke (1985) have criticized RAM for assuming a level of rationality that rarely exists in practice, especially under crisis conditions. Decision-makers often operate under conditions of limited information, time pressure, and cognitive bias, which undermines the assumption of consistent utility-maximizing behaviour. These limitations are especially pronounced in high-stakes situations like war, terrorism, or nuclear diplomacy, where psychological and organizational dynamics tend to override pure rational calculation.

Nevertheless, while Allison (1971) himself acknowledged many of the criticisms directed at RAM, he also warned against dismissing it too hastily. He argued that despite its abstract nature, RAM still provides a useful baseline for comparison—a kind of ideal type that can highlight deviations in actual decision-making processes. It sets a standard for what rational behaviour would look like, against which the effects of organizational routines and bureaucratic politics can be measured. However, critics remain sceptical of its value as a full-fledged paradigm, given its limited explanatory power and its tendency to overlook the messy, human, and institutional realities of foreign policy decision-making.

In the case of Indonesia's nickel downstreaming policy, the long-term goal was explicit which is to establish an independent and competitive domestic nickel processing industry capable of producing higher-value finished products, thereby increasing economic returns and state revenue from mineral commodities.

This strategic aim reflected not only economic development objectives but also the assertion of resource sovereignty over a critical mineral in the global clean energy transition. However, RAM acknowledges that pursuing such a goal often involves accepting calculated risks. In this instance, the Indonesian government anticipated several negative consequences, including possible retaliation from trade partners reliant on inexpensive Indonesian nickel ore, pushback from international actors perceiving the policy as a protectionist threat, and formal disputes at multilateral institutions such as the World Trade Organization (WTO).

Nevertheless, in line with RAM's core assumption, as long as the chosen actions were aligned with the intended ends, the policy could still be pursued despite these foreseeable challenges. Jokowi's administration thus accepted short-term economic and diplomatic costs in exchange for the long-term benefits of industrial upgrading, value-chain integration, and enhanced bargaining power. This decision illustrates RAM's explanatory power in showing how Indonesia prioritized structural transformation over immediate gains, fully aware of the strategic consequences from the outset.

- **Organizational Process Model**

The Organizational Process Model (OPM) explains foreign policy outputs not as deliberate choices made by a unified national actor, but as the outcomes of bureaucratic routines, pre-established programs, and standard operating procedures (SOPs). Rather than focusing on strategic decision-making by rational leaders, this model emphasizes how large organizations respond to external events based on institutional norms, habitual practices, and internal constraints. As such, foreign policy is shaped as much by

organizational inertia as by intentional planning (Cimbala 1972l p. 684).

For arguably obvious reasons, OPM is often considered a more reliable analytical framework compared to the RAM. Unlike RAM, which assumes a single, rational decision-maker at the helm of state behavior, OPM acknowledges the complex organizational environment in which policy decisions are made. It highlights how decision-making is embedded in bureaucratic structures, where authority is dispersed and actions are shaped by standard operating procedures, inter-agency communication, and institutional routines. This model allows for mechanisms of *balance* and *oversight,* reducing the risks associated with over-centralized or individual-driven decisions. By accounting for the roles of multiple actors and procedural constraints, OPM provides a more nuanced and realistic lens through which foreign policy outcomes can be understood.

Looking back to his book, Allison programmed this model based on the one of the most frightening crises during the Cold War, the Cuban Missiles Crisis. The final decision to build a missile base in Cuba was made by the *Presidium of the Supreme Soviet*, reflecting a centralized political directive. However, the implementation of detailed tactics appears to have been delegated to individual organizations. Given the highly classified nature of nuclear operations, each organization involved acted within the limits of its own SOPs and institutional routines. As a result, while each unit was performing tasks according to its internal norms, the overall operation—when viewed holistically—seemed disjointed and inconsistent.

At the time, the Soviet military intelligence agency, known as Glavnoye Razvedyvatelnoye Upravlenie (GRU)**,** was tasked with the transport of missiles. True to its bureaucratic mandate, the GRU focused on maintaining operational secrecy: the missiles were

covertly loaded, shipped, and moved to the construction site. This clandestine approach was a reflection of the GRU's organizational culture and its routine procedures for handling sensitive military assets. In contrast, the Air Defense Command, which was responsible for constructing the missile base, treated the project as a technical and logistical matter, akin to other military construction assignments across the Soviet Union. Activities such as camouflaging the missiles, concealing launch sites, or modifying construction patterns to enhance secrecy were not part of its routine operational playbook. Thus, the resulting inconsistency in the missile deployment reflected a classic example of the OPM, in which disparate bureaucracies, each operating under their own internal logic, produced an outcome that lacked overall coherence. According to Adriana Dudek (2025) in her comprehensive review and critique of Allison's analytical framework, the OPM and the Government Politics Model are not intended to serve as rival theories but rather as complementary lenses for analyzing the complexities of foreign policy decision-making. Far from being mutually exclusive, these models provide synergistic insights when applied together, offering a more nuanced understanding of how decisions are shaped within states. Dudek argues that the real analytical power of Allison's work lies in the interplay between OPM and GPM: while OPM illuminates the influence of bureaucratic procedures and institutional norms, GPM draws attention to the internal competition, negotiation, and political maneuvering among individual actors.

This dual-application is particularly important because both OPM and GPM challenge the unitary, rational-actor assumptions found in Allison's earlier model. In RAM, the state is treated as a coherent, purposeful actor with a singular set of goals, calculating the most effective means to achieve those ends. In contrast, both OPM and

GPM dismantle this simplification by focusing on the inner workings and fragmentation within the state apparatus.

In the OPM, the state is reconceptualized as a network of semi-autonomous organizations—ministries, departments, and agencies—each guided by its own leadership, resources, and SOPs. Decisions within this framework are often the result of established routines, not fresh strategic planning. As James March and Johan Olsen have famously argued through their "logic of appropriateness," bureaucracies tend to respond to challenges not by optimizing outcomes, but by defaulting to familiar solutions deemed appropriate within their organizational culture. This insight underscores that institutional history, professional norms, and procedural memory profoundly influence foreign policy behavior.

Dudek adds that organizational procedures are not neutral tools—they are deeply embedded in human agency and institutional identity. The rules and routines that shape foreign policy are designed, adapted, and enforced by individuals who bring their own beliefs, expertise, and interests into the process. Consequently, it is often the career officials, bureaucrats, and technical staff—not elected politicians—who exert the greatest influence over how decisions are framed, evaluated, and implemented. Politicians may retain formal authority, but in many cases, they function more as approvers than architects of foreign policy.

Meanwhile, the Government Politics Model complements OPM by exposing the political contestation within the government. This model sees foreign policy decisions as the resultant of a bargaining game played among actors—ministers, advisors, department heads—each of whom has distinct interests, power resources, and institutional loyalties. Where OPM identifies systemic constraints and path dependencies, GPM reveals how policy is shaped through coalition-building, compromise, and negotiation.

Together, these models provide a richer and more realistic portrayal of foreign policy-making. By acknowledging both procedural inertia (OPM) and strategic interaction (GPM), analysts can better explain why state behavior often appears incoherent, incremental, or contradictory. Dudek argues that it is precisely this institutional complexity and fragmentation that makes the combination of OPM and GPM more powerful than RAM, especially in understanding crises or high-stakes decisions where coordination failures or inter-agency rivalries come to the fore.

Due to their conceptual overlap, many scholars have found it difficult to clearly differentiate between OPM and GPM. As a result, these models are often conflated or used interchangeably in the literature. Notable scholars in Foreign Policy Analysis, such as Wagner (1974), questioned whether GPM stands independently or is merely an extension of OPM. Similarly, Bendor and Hammond (1992) highlighted the ambiguity in the distinction, arguing that the boundary between OPM and GPM is often blurred, particularly when applied to real-world cases. Morton Halperin (1974) also noted the challenge of separating organizational routines from bureaucratic bargaining, suggesting that decision-making within governments frequently involves both dynamics.

The crucial way in which Model II revises the assumptions of Model I lies in its recognition that governmental behavior is significantly constrained by the routines and procedures of the organizations that comprise the state apparatus. Contrary to what the title *The Essence of Decision* might suggest, OPM does not focus directly on the moment of decision-making itself. Instead, it offers a framework for understanding deviations from ideal rationality—both *before* and *after* decisions are made.

Prior to decision-making, OPM highlights how organizational routines shape and limit the range of available options. These

constraints mean that what may appear as a deliberate strategic choice is often bounded by what organizations are already programmed to do. After a decision is taken, OPM explains how those same routines impact implementation, often leading to outcomes that diverge from the intended objectives.

However, within these organizational constraints, OPM remains agnostic about how decisions are ultimately made. The model does not explain the decision-making process itself, leaving room for other frameworks to fill that gap—such as bounded rationality, GPM, or alternative perspectives that focus on psychological variables like cognitive biases, emotional influences, or group dynamics. As such, OPM contributes a vital layer of analysis in foreign policy but must be supplemented by other models to fully grasp the complexities of decision-making.

According to the OPM, Indonesia's nickel downstreaming policy can be understood as the result of established bureaucratic routines and pre-existing legal frameworks, rather than a wholly new initiative. The policy's roots trace back to Law No. 4 of 2009 on Mineral and Coal Mining, enacted during the administration of President Susilo Bambang Yudhoyono, which laid the legal groundwork for mandatory domestic mineral processing.

Under President Joko Widodo, this existing framework was accelerated and operationalized through coordination among key bureaucratic actors. The execution involved the Ministry of Energy and Mineral Resources, the Ministry of Industry, the Investment Coordinating Board (BKPM), and state-owned enterprises under MIND ID. Each of these institutions operated according to their own standard procedures, capabilities, and resource constraints, which collectively shaped the speed and scope of the policy's implementation.

OPM helps to explain why the downstreaming agenda progressed in distinct phases—from initial partial enforcement in 2014 to full implementation in 2020. This phased approach reflects how bureaucracies adapted to new mandates, secured investment commitments, and oversaw the construction of smelter facilities. By highlighting the role of institutional capacity and procedural constraints, OPM provides insight into how Indonesia utilized its existing state apparatus to carry out a complex industrial transformation policy with multiple layers of coordination and gradual implementation.
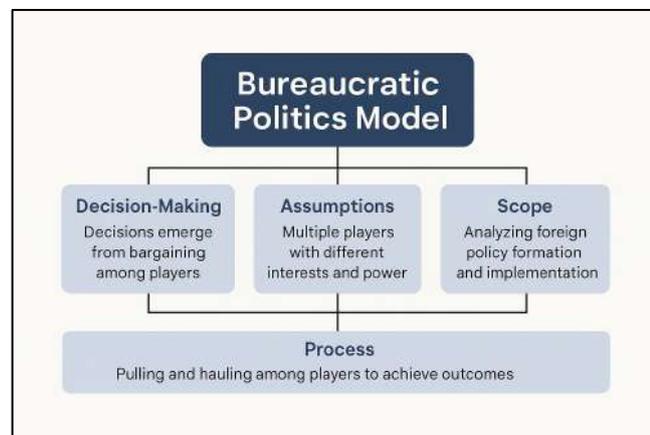
- **Bureaucratic Politics Model**

The third model from Graham Allison (1971) is the Bureaucratic (Government) Politics Model (GPM). Similar to Model II, GPM also rejects the idea that decision-makers are a unitary or monolithic group. Rather, each actor operates within their own distinct field of influence, playing a significant role and engaging in bargaining through regularized circuits among players who occupy different positions within the governmental hierarchy.

As Allison famously described it, the decision-making process involves "pulling and hauling"—decisions are not made through a single rational choice, but emerge after prolonged negotiation, compromises, and political intrigue behind the scenes.

Model III thus expands upon the various gameplays, deviations from ideal rationality, and perceptual biases that Model I inadequately address, by highlighting the internal political struggles that shape outcomes. However, unlike Model II (OPM), in GPM the political games are not restricted to organizational routines or fixed by any standard operating procedures (SOPs). Instead, bargaining and negotiations can occur at every stage: during the moment of decision itself, during the formation of options, or even during implementation.

This renders GPM broader in scope, more complex in its processes, more ambitious in its objectives, and potentially more fruitful for explaining foreign policy behaviors than the two preceding models. Furthermore, Allison identified four key elements that structure the games of bureaucratic politics: *channels, positions, players, and preferences*. These elements collectively form what he calls the "rules of the game." Analyzing these four factors is crucial, as they largely determine the success or failure of any given policy outcome.

Figure 5. GPM's Highlight

(Processed by Author)

To elaborate the core logic of GPM, Allison introduced four key concepts that frame how the internal games of bureaucratic politics unfold channels, positions, players, and preferences. Channels refer to the established formal and informal pathways through which communication, influence, and decision orders circulate. These channels are not random; they are shaped by the institutional structures and procedural norms of the government. Different issues travel through different bureaucratic circuits, meaning that actors can strategically exploit or block particular channels depending on their interests.

Positions describe the specific formal offices or roles that individuals occupy within the bureaucratic apparatus. An official's position shapes the scope of information they access, the authority they wield, and their influence over the agenda-setting and decision-making processes. Importantly, one's position is not neutral; it deeply colors the perspective and priority an actor brings to any policy issue, reinforcing organizational or departmental biases.

Players are the individuals themselves—the human agents occupying positions—who bring their unique experiences, ambitions, personalities, and political calculations into the decision-making arena. Players are not perfectly rational agents; they are motivated by personal career incentives, bureaucratic loyalties, ideological commitments, and interpersonal rivalries. Their personal networks, reputations, and past successes or failures significantly affect their bargaining strength. Finally, preferences refer to the desired outcomes that players advocate for, shaped both by their organizational affiliation and their personal goals. Preferences are not merely technical evaluations of the best means to an end; they often reflect deeper institutional interests, such as securing a department's funding, expanding influence, or achieving ideological objectives.

Model III understands that the foreign policy decision-making process is inherently political. During a policy debate, all the players involved will behave strategically to enhance the likelihood of their preferences being reflected in the final policy. Each player uses their position, resources, and influence to shape the outcome in their favour,

The interaction of these four factors—the available channels of communication, the power and constraints of positions, the ambitions and characteristics of players, and the competing

preferences they pursue—creates a dynamic, often unpredictable decision-making environment. This makes the GPM especially valuable for explaining why foreign policy outcomes often appear messy, suboptimal, or even contradictory. Rather than assuming a coherent national interest translated directly into action, GPM reveals the fragmented, politicized reality of policymaking, where outcomes are the result of negotiation, compromise, and struggle among a plurality of actors (Allison & Zelikow, 1999; Dudek, 2025).

As it illustrates during the very event which where Allison got his inspiration from, which is Cuban Missile Crisis, to formulate his theories. Rather than a single rational decision by a unified U.S. government, the American response to the discovery of Soviet missiles in Cuba reflected intense internal bargaining among key players. President John F. Kennedy, though holding the formal top position, had to navigate between competing preferences within his own administration. Figures like Secretary of Defense Robert McNamara, Secretary of State Dean Rusk, and military leaders such as General Maxwell Taylor each advocated different responses based on their organizational affiliations and personal perspectives. The Joint Chiefs of Staff, for example, strongly favored a full military invasion, motivated by institutional bias toward decisive force, whereas civilian advisors within the Executive Committee (ExComm) pushed for a naval blockade as a more cautious approach. Communication channels within the government both facilitated and complicated these discussions, as different departments controlled different streams of intelligence and operational planning. Players maneuvered within their positions to influence outcomes, often framing information selectively to support their preferred options. Ultimately, the decision to impose a naval quarantine was not the product of a

unified national interest but the outcome of a "pulling and hauling" process where political bargaining, bureaucratic rivalry, and personal leadership style all shaped the result. This case vividly demonstrates how channels, positions, players, and preferences collectively operated to produce a foreign policy choice that balanced competing demands rather than realizing a singular rational strategy (Allison & Zelikow, 1999).

Other scholars also projected this theory on the recent analysis about Trump behaviour during the US long-war policy on Afghanistan. As they claimed that this was done in accordingly to the standard theory provided in the model III.

In defence of his first model, however, Allison argued that Model II (OPM) and Model III (GPM) do not represent a total rejection of Model I (RAM), but rather improvements built upon it. The refinement hinges not on their superior realism alone, but on their greater potential power and fruitfulness as paradigms for understanding decision-making. In other words, the subsequent two models expanded the analysis beyond the assumptions of a single rational actor by incorporating deeper internalized factors within the actor itself, such as preferences, perceptions, and the distribution of power among individuals. Moreover, they brought external structural elements into focus—such as the channels through which information and authority flow, and the bureaucratic dynamics that influence final outcomes. Thus, Allison showed that while RAM provided a necessary foundation by highlighting rational calculation at the state level, OPM and GPM revealed the complex organizational routines and political bargaining processes operating beneath the surface, offering a more nuanced and empirically grounded understanding of foreign policy behavior (Welch, 1992, p. 119).

Ironically, despite the considerably greater attention analysts have devoted to Model III, the body of work it has spawned remains less clear, far less plausible, and more difficult to test. Arguably the most well-known aspect of Model III is the Miles Law, which holds that policymakers' decisions are primarily influenced by the organizations or institutions they represent. As the saying goes, "where you stand depends on where you sit," indicating the strong connection between institutions and their decision-makers. This principle suggests that actors, regardless of their personal preferences or knowledge, are expected to align their decisions with the mandates of the institution they represent. For example, a diplomat stationed in a foreign country must still prioritize their home country's national interest, even if their own perspectives or knowledge about the situation may lead them to consider alternative approaches.

However, the reality is much more complex and should not be seen as simple or unitary. As McHugh (2023) suggests, while the Miles Law was a key effort by Allison to deepen his analysis of bureaucratic policymaking by incorporating actors' preferences, it ultimately fails to predict the key factors that influence a policymaker's preferences. The law overlooks the wide range of life experiences, personal loyalties, and ideological factors that can predispose an individual to advocate for policies that do not necessarily align with their agency's mission or goals. This adds a layer of complexity to the decision-making process that Model III, despite its ambitions, struggles to fully account for.

Another critique comes from the position of the president in this model, alongside other bureaucratic actors. Allison not only downgrades the president as merely one of the key players in foreign policy making but also completely overlooks the executive's power and the influence that comes with it. Krasner,

Preston, and Hart (1999), for instance, argue that Allison treats the president as just another player in the bargaining process, ignoring the fact that the president plays an outsized role in determining policy outcomes. The executive sets the "rules of the game," which gives the president a central role in shaping foreign policy. Allison overlooks the fact that many of the prominent bureaucratic actors are appointed single-handedly by the president, who also determines the channels through which policy debates will take place. Moreover, the president holds the constitutional authority to implement policy outcomes, further enhancing the executive's influence in the process.

Preston and Hart further expand on these critiques by building on Rosti's framework, which seeks to distinguish between situations where presidential dominance prevails in the decision-making process and those where bureaucratic dominance takes precedence. In the context of the American political system, presidential dominance is particularly evident, as the president holds the capacity to play a central role in foreign policy decision-making whenever they choose to do so. In such instances, the president actively engages in the decision-making process, participating in meetings and clearly communicating their preferences. Under these circumstances, it is highly improbable that even the most adept bureaucratic actors could secure a policy outcome that diverges significantly from the president's strongly held preferences.

Conversely, bureaucratic dominance arises when the president remains largely disengaged from the decision-making process. This disengagement can occur for a variety of reasons, such as the president's management style, the relative salience of the policy issue compared to other pressing concerns, or the inherent complexity of the issue at hand. In cases where the president opts

not to engage directly in the decision-making process, bureaucratic actors are afforded greater latitude to shape the policy outcome. This preference for disengagement is not solely driven by political interest; rather, it is influenced by a range of factors, including the president's capacity to manage the issue, their broader political priorities, and their personal approach to governance.
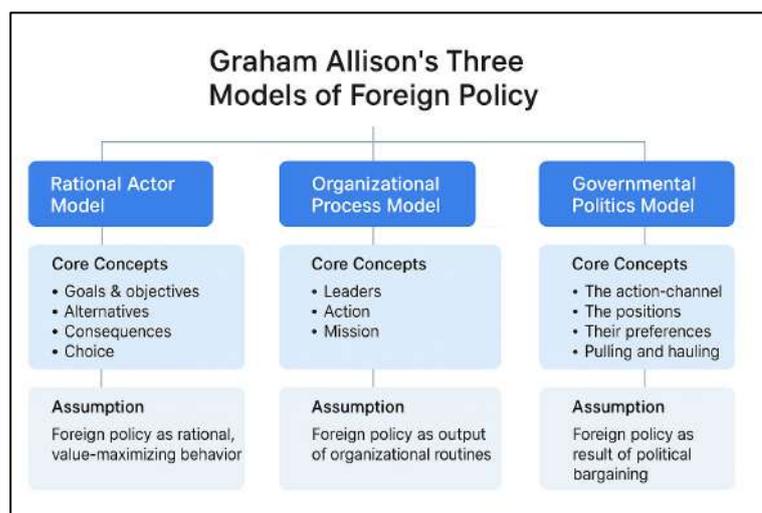
Figure 6 Allison's 3 Models of FPA

(Core concepts and Assumptions)

(Processed by Author)

The decision-making process involves problem recognition, framing, perception, goal prioritization, and option assessment. Scholars such as Allison and Zelikow (1999) emphasize that states often engage in rational calculations to determine the most beneficial course of action. This aligns with the Rational Actor Model, which suggests that decision-makers assess costs and benefits before taking action. However, decision-making is not always purely rational. Allison (1971) highlights the role of bureaucratic competition in shaping foreign policy, arguing that different government agencies influence policy outcomes based on

their interests and objectives. This perspective demonstrates how internal political struggles affect external state behavior.

The mind of a foreign policy maker is not a tabula rasa; it contains complexand intricately related information and patterns, such as beliefs, attitudes, values, experiences, emotions, traits, style, memory, national, and self-conceptions. Each decision-maker's mind is a microcosm of the variety possible in a given society. Culture, history, geography, economics, political institutions, ideology, demographics, and numerous other factors shape the societal context in which the decision-maker operates. The Sprouts referred to these as the milieu of decision-making, and scholarly efforts to explore that milieu were both innovative and impressive. Brecher (1972) contributes to this tradition in *The Foreign Policy System of Israel*, which examines Israel's psychocultural environment and its effects on foreign policy. While Brecher takes an integrative approach, many scholars within this paradigm have either focused on psychological aspects of decision-making or its broader societal influences

Bull (1977) underscores the immaterial yet significant feature of state credibility in foreign policy. A state's ability to maintain a reliable and consistent international stance affects its diplomatic relations and strategic partnerships. Van der Vleuten (2001) further elaborates on the necessity of safeguarding power positions in an anarchic international system, emphasizing that states act to ensure their long-term viability.

Several scholars have contributed empirical studies on foreign policy decision-making. Doyle (1986) examines how democratic states interact with one another, arguing that democratic governance influences foreign policy by reducing the likelihood of conflicts between democracies. Keohane (1984)

focuses on the role of international institutions in facilitating cooperation and mitigating uncertainty, demonstrating how states balance survival interests with long-term diplomatic engagements.

Wendt (1992) contributes to the discussion by examining how state identities and historical experiences shape foreign policy choices. He argues that state interactions are influenced not only by material factors but also by ideational constructs such as norms and reputations. This perspective highlights the evolving nature of state interests through diplomatic engagements and institutional participation.

The GPM views Indonesia's nickel downstreaming policy as the result of political bargaining, competition, and coalition-building among key decision-makers. The policy's strong push cannot be understood as a purely rational decision or a simple bureaucratic process; instead, it reflects the immense political influence of powerful figures like President Joko Widodo and Coordinating Minister Luhut Binsar Pandjaitan. These leaders used their political capital to place downstreaming at the core of the national economic agenda, framing it as a crucial step toward resource sovereignty and industrial development. However, their efforts took place within a fragmented decision-making environment. Ministries, political factions, and various industry stakeholders engaged in negotiations over the policy's scope, timeline, and methods. GPM highlights how these different actors, each with their own interests and priorities, vied for influence, leading to a policy outcome that was a product of compromise and strategic alignments.

Furthermore, the model draws attention to the intertwining of personal and institutional interests. With many Indonesian legislators and political elites holding direct business interests in the mining sector, the incentives and alliances behind the policy

were shaped by more than just national goals. This explains the presence of compromises, selective enforcement, and strategic trade-offs within the policy's implementation. Through the GPM lens, the downstreaming policy is revealed not as a purely technocratic economic decision, but as the outcome of elite-driven negotiations where political leverage and coalition management were just as decisive as technical feasibility.

2.2 Protectionism

Trade protectionism challenges the economic principles advocated by Adam Smith and David Ricardo, which emphasize the benefits of free trade for fostering urban economic growth. As globalization expanded markets and facilitated trade integration during the 19th and 20th centuries, protectionist policies emerged as a countermeasure to shield domestic economies. These spolicies aim to generate tax revenue from foreign imports while fostering the growth of local industries. Measures such as export bans, trade restrictions, and state subsidies—often provided as tax credits to domestic companies—are central to protectionist strategies (Irwin 1996; Rodrik, 2011). According to Fu Jiang Yao (2021), the primary goal is to safeguard national industries, particularly those in their infancy or unable to compete with more advanced foreign counterparts, thereby addressing trade deficits and promoting economic stability. Additionally, protectionism is often driven by social and political factors, including anti-colonial sentiments. Resource nationalism, for instance, emphasizes processing national resources domestically to maximize economic benefits and reduce dependency on foreign entities. However, in such cases, countries often adopt offensive strategies under the guise of safeguarding national interests, protecting natural resources, and preserving the environment (Stiglitz, 2006; Wilson, 2021; Kweka, 2022).

The roots of protectionist policies can be traced back to mercantilism, a dominant economic theory from the 16th to the 18th centuries. Mercantilists argued that a nation's wealth depended on maintaining a favorable balance of trade by maximizing exports and minimizing imports. Governments imposed

high tariffs, restricted imports, and accumulated gold reserves to enhance national power (Heckscher, 1931). This theory laid the foundation for modern protectionist policies that prioritize domestic industry over free trade.

- **Infant Industry Argument**

  First introduced by Alexander Hamilton (1791) and later refined by Friedrich List (1841), the infant industry argument justifies protectionism by asserting that emerging industries need temporary protection from foreign competition until they become competitive. According to List, developing economies must shield nascent industries through tariffs and subsidies to allow them to reach economies of scale and technological advancement.

- **Strategic Trade Theory**

  A more recent theoretical justification for protectionism comes from strategic trade theory, which argues that in industries with high entry costs and significant economies of scale—such as aerospace or high-tech sectors—government intervention can provide domestic firms with a competitive advantage (Krugman, 1987). This theory supports targeted state support, including subsidies and trade restrictions, to ensure domestic industries can compete on a global scale.

- **Resource Nationalism and Economic Sovereignty**

  Another framework that explains protectionist policies is resource nationalism, which emphasizes the need for nations to control and manage their natural resources for domestic economic development. This perspective is particularly relevant for resource-rich developing countries that aim to prevent foreign exploitation and maximize the economic benefits of resource extraction (Auty, 2001).

Protectionist measures are generally justified on several grounds, with economic, political, and social considerations shaping their adoption. One primary justification for protectionism is the infant industry argument, which suggests that emerging industries require government support to compete against well-established foreign firms (Irwin, 1996; Chang 2002).

In developing economies, nascent industries often lack the economies of scale, technological capabilities, and capital necessary to compete with global corporations. By implementing tariffs or subsidies, governments can provide a nurturing environment that allows these industries to grow, become competitive, and eventually integrate into global markets (Irwin 1996; Chang, 2002; Rodrik, 2004).

Another significant motivation for protectionism is national security and economic sovereignty. Governments may impose trade restrictions to reduce dependence on foreign goods, particularly in strategic sectors such as energy, defense, and food production (Evenett, 2020). For example, concerns over supply chain vulnerabilities and foreign dominance in critical industries have led many nations to restrict foreign investment in sensitive sectors. However, resource nationalism can also lead to trade tensions, as seen in recent disputes over critical mineral exports. Political and social factors also contribute to protectionism (Bauer, 2018; Ramdoo, 2015). Anti-colonial sentiments and economic nationalism have historically driven protectionist policies, particularly in post-colonial states that seek to reclaim control over their natural resources and economic policies. In some cases, protectionism serves as a response to unfair trade practices by foreign competitors, including dumping and intellectual property theft (Evenett, 2019).

Indonesia has a long history of implementing protectionist policies to safeguard its domestic industries and promote economic sovereignty. From the early years of independence under President Sukarno to recent policies under President Joko Widodo, protectionism has been a key strategy in Indonesia's economic development. During Sukarno's era, Indonesia pursued an economic policy of Import Substitution Industrialization (ISI), aiming to reduce dependence on foreign goods and encourage domestic production (Patunru, 2018; Sahaba et al., 2024). The government imposed high tariffs on imported goods, provided subsidies to local industries, and restricted foreign investment in key sectors. This

approach was rooted in anti-colonial economic nationalism, as Indonesia sought to reclaim control over its resources after centuries of foreign exploitation (Kementerian PPN/Bappenas, 2020).

Under President Suharto's New Order regime (1966–1998), Indonesia shifted towards a more liberal economic model, opening up to foreign investment and trade. However, protectionist elements remained, particularly in the form of state monopolies and trade restrictions in sectors such as oil, gas, and agriculture. The government also maintained export bans and quotas to ensure domestic supply and control commodity prices (Rosser, 2018; Warburton, 2016). In the 21st century, Indonesia has continued to adopt protectionist policies, particularly in resource-based industries. One notable example is the 2014 ban on raw mineral exports, implemented under the Mining Law of 2009. The policy required mining companies to process minerals domestically before export, aiming to develop Indonesia's downstream industry and increase value-added production. While the ban attracted significant foreign investment in smelters and processing facilities, it also faced criticism from trading partners and led to legal disputes at the World Trade Organization (WTO) (Rosyid & Basri, 2020). Another key protectionist measure in recent years has been restrictions on foreign ownership in strategic sectors. Indonesia has implemented regulations limiting foreign investment in industries such as e-commerce, telecommunications, and energy to protect domestic enterprises. Additionally, the government has provided subsidies and tax incentives to local manufacturers, particularly in the automotive and agriculture sectors, to enhance competitiveness against foreign imports (Tambunan, 2019).

In the relation of industrial policy, the Indonesian government has consistently used protectionism as a means to develop domestic industries and reduce dependency on foreign goods. Industrial policy in Indonesia aims to enhance the country's industrial capabilities, promote sustainable economic growth, and create jobs, especially in manufacturing sectors that are deemed critical to national development. One of the main justifications

for protectionist policies in Indonesia is to address market failures, such as the underdeveloped industrial sectors, insufficient investment in technology, and limited access to capital that often hinder the growth of domestic industries (Natsir & Tirtosudarmo, 2022; Daryanto, 2017). Protectionism, as a tool of industrial policy, has been deployed through a variety of mechanisms. These include import tariffs on certain goods to make foreign products less competitive, subsidies for local industries to encourage domestic production, and import quotas to limit the amount of foreign products entering the market. Such protectionist measures are seen as necessary to ensure that domestic industries have the time and space to grow and become competitive in the global marketplace. These measures have been especially important in sectors like textiles, automobiles, and steel, where Indonesia has historically sought to build self-sufficiency (Natsir & Tirtosudarmo, 2022).

Wong (2004) and Wade (2018) both offer significant insights into the role of the state in shaping industrial outcomes in East Asia, particularly through strategic market interventions. As Wong (2004) notes, East Asian states have effectively sought to maximize national productivity by intervening in the market, leveraging their robust institutional capabilities to formulate and enforce targeted economic policies. These interventions have primarily focused on key industrial sectors, with the aim of boosting national competitiveness on the global stage. The key to the success of such strategies, according to Wade (2018), lies in the combination of high investment rates, coordinated sectoral promotion, and the implementation of strategies like export promotion and import substitution. These strategies have not only allowed East Asian states to build competitive industries but have also provided the foundation for their subsequent economic growth. Institutionally, the limited independence of central banks and the financial sector in East Asia has played a critical role in managing economic policies effectively. By maintaining close state-industry relations, governments have been able to guide industries toward growth while ensuring discipline in

economic management. These state-directed policies have been facilitated by instruments like directed credit and fiscal incentives, which encourage investment in strategic sectors.

Furthermore, policies such as trade protection and strategic negotiations with foreign investors have been employed to secure the necessary capital, technology, and expertise for industrial development. The East Asian experience, as both Wong (2004) and Wade (2018) highlight, demonstrates that state-led development can be highly effective when coupled with a coherent set of policies and a government that remains actively engaged in directing and supporting industrial growth. The synthesis of institutional support, targeted interventions, and close collaboration between state and industry has been integral in shaping the region's economic trajectory. By focusing on these principles, the East Asian states have created competitive industries capable of thriving in the global market while maintaining a level of economic sovereignty. This has set a precedent for other developing nations seeking to replicate the success of East Asian economies in their own industrial policy frameworks.