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EVALUATION OF INDONESIA'S MINERAL DOWNSTREAM POLICY WITH KEY FACTORS OF COMPETITIVE ADVANTAGE, COMPARATIVE ADVANTAGE, AND ECONOMIC IMPACT PERSPECTIVE

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Abstract

After more than a decade of implementing mineral downstream policy in Indonesia by the enactment of Law Number 4 of 2009, the growth in the construction of mineral refining facilities for almost all major metals tends to stagnate, with only nickel that shows significant growth. Previous studies regarding mining in Indonesia have concluded that each mineral has a different competitive advantage, and the development of refining facilities cannot be separated from the ability of a commodity to attract investors, including comparative advantage and its relation with inward investment. Moreover, studies concerning mineral downstream policy in Indonesia are still very rare. This study aims to find the best mineral downstream policy scenario to increase the added value of the main metal mineral commodities, through dynamic modeling with key factors of competitive advantage, comparative advantage, and economic impact perspective. In order to find the best mineral downstream policy scenario, based on the evaluation of previous studies and the existing policy, we propose a conceptual framework with an abductive reasoning approach that we suggest to be carried out using a mix-method, namely by using a qualitative method which conducts an interview to find out determinant factors on the development of domestic refining facilities and followed by a quantitative method with adopting a survey and using Analytic Hierarchy Process method to determine the dominant factors in competitive advantage and comparative advantage, then proceed with a qualitative method by conducting Focus Group Discussion to find out how mining business actors determine competitive advantage index and comparative advantage index from a business perspective. Moreover, the quantitative methods through a system dynamics model is conducted to obtain the best downstream policy scenario from the perspective of economic benefits. Thus, a proposed causal loop diagram is created to describe Indonesia's mineral downstream policy with competitive advantage, comparative advantage, and economic impact perspectives approach.

Keywords: Mineral, Downstream, Policy, Smelter, Indonesia, Competitive Advantage, Comparative Advantage, Economic Impact, System Dynamics.