

## Reflection on Negotiations Between Indonesia and Tesla, Inc. Regarding Electric Vehicle Investment in 2020-2024

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**Abstract.** *Indonesia is one of the countries in Southeast Asia rich in nickel reserves, so this has become an attraction for foreign investors to compete to invest amid a drastic increase in market demand for lithium batteries for electric vehicles. Tesla, Inc. became one of the investors who showed interest in the potential for establishing a lithium-ion battery factory for electric vehicles. Indonesia is aware of Tesla's enthusiasm in trying to conduct intense negotiations and lobbying because these MNCs have several advantages in terms of advanced features and acceleration, as well as adhering to green principles. The author's aim in raising this issue is to reflect on Indonesia's long process of building government-to-business negotiations and lobbying with Tesla, where Indonesia sees this opportunity as a step to pursue national interests. The method used in this research is based on a literature study through secondary data collection. The findings from this research are that both Indonesia and Tesla use a rational approach and integrative strategy in negotiating investment cooperation. However, Indonesia's optimistic attitude is reflected in experiencing various challenges, including competition from competitors from other countries and unsustainable nickel mining problems.*

**Keywords:** *Electric Vehicles, Indonesia, Negotiations, Nickel, Tesla.*

### BACKGROUND

Indonesia is one of the countries in the world that has abundant natural resources. One of these natural resources is nickel. Most of this nickel is found in the Gebe (North Maluku), East Luwu (South Sulawesi), Morowali (Central Sulawesi) and Tapunopaka (Southeast Sulawesi) regions. Nickel in Indonesia amounts to around 2.8 billion tons of ore (or 43.6 million tons of nickel metal or around 19.8%). For nickel reserves based on data from Katadata.com, Indonesia has 21 million metric tons (23.04%) in 2022; So this proves that Indonesia itself is the country in second place after Australia in terms of providing total nickel reserves globally today. Indonesia is predicted to become a country with rapid economic growth in the next few years, because nickel will be the main component in lithium-ion batteries for electric vehicles.

The abundance of nickel resources has the potential to generate added value for Indonesia as a result of techno-economic transformation which has a positive impact in supporting contemporary *national economic growth* ; for the sake of social capital for the Indonesian population as a whole in facing a bright and resilient future based on prosperity, security and a global environmental approach (Soelistijo, 2013).

Even though the current demand for nickel for electric vehicle batteries globally is only 5%, according to market research Roskill stated in a new report that there will be a surge in

demand for nickel, due to the need for charging electric vehicles, both cars and motorbikes. Then, there is a commitment between countries in the world to support the *Sustainable Development Goals Agenda* by starting to end the use of fossil fuel (petroleum) vehicles and transition to electric-based vehicles; so this is a profitable opportunity, because nickel will be targeted by various parties in the future and increase profits for Indonesia.

The use of nickel is to produce lithium-ion batteries, which will provide higher energy density and a very large increase in storage capacity in electric vehicles. This increased energy density and storage capacity means that electric vehicles can travel longer distances on a single charge (Safutra, 2022). These electric vehicles are starting to be intensively produced with the aim of reducing greenhouse carbon gas emissions. Then, the transition to electric vehicles is also because the costs to operate and maintain are cheaper than fossil fuel vehicles.

These lower maintenance costs can save around US\$ 5,000 globally when using electric vehicles (Aziz et al, 2020). As a result, many developing countries such as Indonesia have begun to tax gasoline and subsidize electric vehicles to generate greater savings.

The previous explanation shows that nickel is a lower cost energy source, so it has the potential to be attractive to the global market at large. Based on this, Indonesia will fight so that the available nickel can be used appropriately and efficiently to produce lithium batteries. As regulated in Article 33 paragraph 3 of the Constitution, the earth and water and all the materials contained therein must be utilized for the maximum welfare of the Indonesian people.

Starting from the Green Economy movement in various multilateral forums, Indonesia will firmly adopt sustainable policies to reduce fossil fuels and switch to renewable energy, especially the use of environmentally friendly or non-emission vehicles, which use electricity as fuel. This is Indonesia's commitment to reducing air pollution and global warming caused by fossil energy such as petroleum.

Indonesia's huge commitment regarding the transition to electric vehicles has led to many foreign investors from various multinational companies wanting to invest capital through *Foreign Direct Investment* (FDI) to encourage the construction of more smelting plants to process nickel to become electric vehicle batteries. This is based on the abundance of Indonesian nickel, thus attracting investors. Indonesia has the opportunity to become a dominant market player in this opportunity, targeting to become a global *Electric Vehicle hub*.

Indonesia has stopped nickel ore exports to guarantee investor supply. The halted exports also became a problem, after the European Union sued Indonesia for WTO arbitration. Indonesia's steps to guarantee nickel supplies have succeeded in attracting investment from the Chinese steel industry and South Korean companies such as Hyundai and LG. However, most

nickel investment in Indonesia so far has been aimed at producing raw metals such as nickel *pig iron* and *ferronickel* . Indonesia invites investors (including Tesla, Inc.) to process nickel to make it into high-value electric vehicle batteries, which will increase income while encouraging more domestic production.

Indonesia, which does not want to waste this opportunity, is trying to invite and carry out an intense diplomatic negotiation approach with various largest electric vehicle and battery manufacturers, especially Tesla, Inc. to be willing to work together to process nickel into lithium batteries as energy for electric vehicles. In this way, the author's aim in raising this issue is to reflect on the long process of Indonesia with its nickel potential which has the opportunity to become a country full of attraction for Tesla which wants to set up an electric vehicle battery factory, so that Indonesia does not want to miss this important moment by trying to carry out negotiations and *lobbying techniques* . Of course, the negotiations carried out by Indonesia with Tesla are intended to pursue national interests, especially achieving economic growth in the future.

This research seeks to explain why Indonesia is trying to carry out dynamic negotiations and *lobbying against the company Tesla, Inc.* regarding investment in establishing a lithium battery factory for electric vehicles during 2020-2024. Indonesia sees investment potential from Tesla, Inc. which will support national economic growth and the transition towards sustainability. However, the negotiation process between the two experienced various challenges and uncertainties; so this research will reflect on both parties in exploring cooperation.

## **THEORETICAL STUDY**

### ***Rational Choice Theory* as a Negotiation Foundation for Exploring Investment Cooperation**

States, IGOs, NGOs, and multinational corporations all consist of rational entities. To understand the actions of these entities, it is necessary to understand the behavior of the humans who carry them out. Lina Eriksson shows that *Rational choice theory* can help explain how leaders and other stakeholders from multinational companies or certain institutions make decisions.

*Rational choice theory* can also try to predict the future actions of actors, and states that individuals or multinational companies use rational calculations to make rational choices, and achieve results that are in line with their own best goals and principles. This result is also related

to maximizing personal interests in investors or other international relations actors (Bakry, 2015; pp. 256). Using *rational choice* is expected to produce results that provide the greatest benefits and satisfaction for other stakeholder actors in collaboration with the individual, considering the limited choices they have.

Lina Eriksson believes that *rational choice* is based on the assumption that individuals, or rational actors, try to actively maximize their gains in any situation, as well as consistently try to minimize their losses. According to Eriksson, individuals driven by self-interest and rationality will make decisions that will bring positive benefits to the economy as a whole. Based on this, *rational choice* is based on *the invisible hand* ; where individuals or investors will lobby to reduce intense government intervention and fight to achieve more opportunities that benefit them (Eriksson, 2011).

### **Theoretical Investment Negotiation**

Investment negotiations between state actors and multinational companies can take material or emotional forms. Negotiators between the two parties are tied to success or failure regarding the position, status and self-esteem of those involved. This *investment negotiation* really depends on the background and interests between them, where the focus is a certain distance and objectivity. According to Meerts, negotiators are human, and like most humans they would rather win than lose. So in *investment negotiations* , victory aims to prevent loss of face and trust.

This shows that on the one hand, countries do not want intervention by investors, and on the other hand, multinational companies or investors themselves try to avoid losses if they find strict investment regulations in a country (Peleckis, 2016). Both countries and investors are also careful so that they do not fall into traps or *entrapment* during the negotiation process.

Losses will have a negative impact on one of the parties, but can be offset by gains in other situations. The more senior government officials are in a country, the more visibility and power they have; thus allowing them to be in a good position vis-à-vis investors or multinational corporations to compensate for the loss of A with the gain of B. If B is more important than A, a combination of losses and gains may be part of the negotiation strategy. That way, the negotiators themselves need to be controlled to control the situation by sending someone as a stakeholder who has reliable negotiation skills, and based on a higher level if available and willing (Meerts, 2014; pp 97-99).

## RESEARCH METHODS

The research method is descriptive qualitative, which aims to analyze Indonesia's interests in making things easier for foreign investors, especially Tesla, Inc. to establish an electric vehicle factory in an area that has nickel potential, as well as the reason why Indonesia itself is more willing to take a negotiating approach towards Tesla than other multinational companies. However, the potential for this negotiation needs to be measured by Indonesia itself, whether it will be profitable or fail regarding nickel and electric vehicle investment issues. The data collection technique used in this research is based on literature study through secondary data collection which includes books, scientific journal articles, online newspapers, credible *survey results*, and *official websites*.

## RESULTS AND DISCUSSION

### 1. Indonesia's Negotiation Process in Reaching Agreement with Tesla, Inc. related to Investment in Electric Vehicle Factories

Indonesia has produced 37.04% of nickel globally through production reaching 1 million metric tons during 2020, which is known by Elon Musk as the owner of Tesla, Inc. (an electric-based automotive company from the United States ) which sees that Indonesia has the opportunity to become a country that can work together in building the electric vehicle industry. Apart from that, Tesla sees Indonesia's policy as friendly towards import duties on imported electric vehicles by setting a tariff of 0% (DDTC News, 2022).

This friendly import duty will encourage Tesla as an *electric vehicle industry* to facilitate *integrated end-to-end processes* ; so that *the supply chain* for production runs in a directed manner. In this way, Tesla believes that cooperation with Indonesia regarding electric vehicles will result in an agreement that benefits both parties due to these two factors. Indonesia, knowing Tesla's interest in investing, is trying to hold direct talks through negotiations and *lobbying* , by promoting regulations and the benefits of investment in the country. Indonesia sees an opportunity for their negotiations to possibly lead to progress, because Tesla has a strong partnership with a Brazilian mining company, namely Vale, to secure nickel supplies; and the company is known to have strong operations in Indonesia, so it can be a third party in helping Tesla lobbying regarding attractive *investment values and options in Indonesia*.

Early stage negotiations between Indonesia and Tesla, Inc. It started when President Joko Widodo and Luhut B. Pandjaitan as *Coordinating Minister for Fields Maritime Affairs and Investment* contacted Elon Musk by telephone on December 11 2020 (Fahmi, 2020). Indonesia,

in its negotiations, offered Tesla to participate in investing in electric vehicles, because of the positive opportunity that Indonesia has as the largest nickel producer in the world, with a total of 4.346 million tons.

During the negotiations, both parties exchanged ideas regarding long-term investment prospects related to the development of the electric vehicle industry. Indonesia showed Tesla that their nickel was very suitable as raw material for making *electric vehicle batteries*; because nickel has superior components which include electrolyte, anode and cathode (Winona, 2022). Therefore, Indonesia hopes that Tesla will be increasingly interested in producing nickel-based lithium batteries. Tesla CEO Elon Musk responded positively to President Jokowi's offer, so that the initial negotiations went smoothly. Based on the results of these negotiations, Elon Musk plans to send a team from Tesla to Indonesia in January 2021 to explore opportunities for investment cooperation in electric vehicles and conduct *surveys* /observations on the potential for utilizing nickel (Rabesarun & Horman, 2021).

Indonesia is trying to explore more serious cooperation with Tesla, because this multinational company has several advantages over other investors or MNCs. This advantage is that Tesla produces electric vehicles that have a positive impact on the environment and are in line with the vision of sustainable development, so this is in line with Indonesia which has a roadmap (Making Indonesia 4.0) to achieve targets in the *Nationally Determined Contribution* (NDC) to reduce greenhouse gas emissions from *energy. and transportation sector* which is equivalent to 38% or 314 million tonnes of CO<sub>2</sub>e of the total national target in 2030.

Tesla's production cars average about 30% fewer emissions than gasoline vehicles, at 20,000 per mile on the highway; accompanied by a storage system such as *Megapack* which has a very large battery capacity with an average of 3,000 kWh to over 1,000,000 kWh (Afrialldi, 2022). The average distance traveled by Tesla electric vehicles is also above 450 km on one battery charge. Indonesia also sees the advantages of cars produced by Tesla, Inc. others such as maintenance costs which are relatively more economical, and have sophisticated features ( *ultrasonic sensors* , *autopilot* , and so on).

As previously explained, Tesla, Inc. will send their representatives to Indonesia in January 2021. However, in the end, Tesla representatives canceled their presence in Indonesia, due to restrictions on the arrival of foreign nationals due to the spike in cases of the last Covid-19 pandemic and waiting for the lifting of restrictions (restrictions on import production fields) from the parties Indonesia. Therefore, Indonesia renegotiated with Tesla to hold a replacement meeting in person in February 2021.

Then, Tesla again postponed their visit to Indonesia in February 2021, and has not yet confirmed the exact schedule for visiting that country. This was because positive cases of Covid-19 infection in Indonesia were still quite high at that time, so the ban on the arrival of foreigners wishing to visit the country continued to be extended (Sandi, 2021).

Despite the cancellation of the visit, Tesla continued to communicate with the Indonesian government online. Tesla continues to examine various possibilities for investment in Indonesia, especially nickel mining and producing lithium batteries for electric vehicles. Indonesia has the opportunity to lobby and persuade Tesla seriously by providing regulations for ease of foreign investment through Law Number 11 of 2020 concerning Job Creation. Based on this law, Indonesia is negotiating with a *bargaining approach* or strong bargaining that Tesla will be given easy permission to build an electric vehicle factory if it shows seriousness in investing.

*Bargaining* is the right way for Indonesia to increase its influence capabilities to reach an agreement with Tesla. In order for bargaining in the negotiation process to be successful, Indonesia also offered and assured Tesla of exemption from dividend tax when the funds were reinvested in Indonesia, as well as a corporate tax cut of 19%; so this will provide benefits for both parties (Ali, 2021). Indonesia is confident that these negotiations will encourage Tesla to agree to invest and that this will bring *positive values for Indonesia's environment*.

*bargaining approach* resulted in progress, where Tesla became convinced of its interest in investing in Indonesia and signed a *Non-Disclosure Agreement*. Therefore, Tesla sent a proposal on February 4 2021 and it was accepted by the Indonesian government on February 5 2021 (Alaydrus, 2023). The contents of the proposal submitted by Tesla include, among other things, the establishment of an electric vehicle factory with a focus on *the lithium battery project* and the development of *the Energy Storage System (ESS)*. The ESS developed by Tesla is a *recharging battery* that has a *large capacity*, reaching tens to hundreds of *megawatts* in electric vehicles.

ESS is a promising business, because it can function as a stabilizer and substitute for peaker generators in electric vehicles. Tesla stated that they wanted to develop ESS with a combination of Solar Power Plants, because demand for electric vehicles had soared globally, so they accepted the negotiation results from Indonesia (Umah, 2021).

After regular online meetings between the two parties to sign an agreement, Tesla's investment plans in Indonesia became a tug-of-war and then led to no progress in any negotiation process from Tesla itself; resulting in the agreement not being realized. This is motivated by Tesla trying to dictate to Indonesia, so that it accepts special conditions which

will be more profitable for the company's profits. Even Minister Luhut B. Pandjaitan mocked Tesla that Indonesia would not be a " *Banana Republic* " in March 2022 over this case. Indonesia has the perspective that Tesla's requirements have the potential to over-exploit Indonesia's own nickel reserves, and the resulting production profits will be received by Tesla much larger than Indonesia. Then, Indonesia was also forced by Tesla to use green technology on a massive scale (Bambani, 2022).

*unsustainable* nickel mining practices and its policies do not pay enough attention to *environmental issues* , such as frequent cases of purchasing transactions resulting from deforestation or illegal mining by the Indonesian government (Faizal et al. , 2022). Of course, this will conflict with Tesla's principle that " *The company will not cooperate with any country if it does not involve environmental protection as well as safety in nickel production* " (Tesla.Inc, 2022).

This principle should be a consideration for Indonesia if it wants to explore cooperation with Tesla. Therefore, Tesla prefers to invest in India, because this country has a much larger automotive market, and has an *IT ecosystem* for developing a convincing and environmentally friendly electric vehicle industry. However, not long after, Tesla decided to cancel building their factory in India; This is because the import duties set by the Indian government regarding imported four-wheeled vehicle products are very high, namely 60% (Purwanti, 2022).

Based on analysis from *rational choice theory* , Tesla as an investor or multinational company uses rational calculations in pursuing their profits. Tesla is trying to cooperate with Indonesia through a negotiation process, with the aim of preventing company losses by reducing intervention by the Indonesian government itself, so that the government complies with Tesla's special requirements regarding the development of an environmentally friendly battery-based electric vehicle industry.

Of course, the Indonesian government does not want to be dictated to in their *diplomatic negotiations* regarding Tesla's requirements. Therefore, negotiations between both parties became stagnant and Tesla chose to invest in India, which was seen as the right field to gain large profits, if seen from a *rational choice* .

## **2. Dynamics of Indonesia's Position and Strategy during Negotiations with Tesla, Inc.: Optimistic or Ending in Failure?**

The cancellation of Tesla's investment in India has become a golden opportunity for Indonesia to renegotiate cooperation regarding the construction of a lithium battery factory with Tesla itself. Indonesia hopes that this renegotiation will produce mutual benefits between



the country and Tesla. In an analysis based on the *investment negotiation concept* according to Paul Meerts, rebuilding negotiations aims to ensure that Indonesia's image and self-esteem as the largest nickel producing country in the world is not bad for countries and foreign investors.

That way, if the Indonesian *negotiation tactic* is successful in convincing Tesla to invest, it will certainly be an added value because many *multinational corporations* operating in the electric vehicle and green technology industries will also invest in Indonesia. From here, Indonesia is trying to find *a problem solution* so that Tesla's requirements are not too strict as in the initial agreement, so as not to suffer losses such as interference by foreign companies. Therefore, Indonesia sent representatives of their senior officials who were very reliable in negotiating with stakeholder actors, namely Minister Luhut. B Pandjaitan to meet directly with Elon Musk as *owner* of Tesla, Inc.

In a meeting at *Tesla Giga Factory Texas* , Austin, Texas, United States; Minister Luhut as Indonesia's representative conducted negotiations and *lobbying* with Elon Musk on April 26 2022. The main aim of these negotiations was to invite Tesla to remain confident in building *investment cooperation* with Indonesia regarding the supply and processing of nickel as raw material for producing lithium batteries in electric vehicles in accordance with ESG ( *Environment, Social, and Governance* ) principles in a *sustainable manner* (Purwanti, 2022). Another reason behind Minister Luhut's visit to Tesla's office is

1. Indonesia seeks to show national pride and wants to achieve success during negotiations with Tesla.
2. Indonesia believes in the prospects of Tesla, which is very committed to practicing environmentally friendly business, as well as the various advantages of their products.

During negotiations with Elon Musk, Indonesia, represented by Minister Luhut, demonstrated a negotiation strategy to achieve *national interests* . The negotiation strategy implemented by Indonesia is integrative; where the results of these negotiations focus on achieving the interests of both parties, both Indonesia and Tesla itself without the occurrence of *a zero-sum game* . Indonesia uses a negotiation strategy by creating openness in the information space, as well as giving Tesla the opportunity to conduct dialogue together. Based on this, Indonesia took the initiative to launch a negotiation process to reach common ground by articulating *a problem solving procedure* .

During the integrative negotiations, Indonesia and Tesla tried to find a way out to produce an agreement that was profitable for them and in accordance with the principle of *a win-win solution* . In his strategy, Minister Luhut explained that Indonesia continues to explore lithium

battery raw materials derived from nickel through a more environmentally friendly mineral downstream program; and carrying out reforestation of land that has previously been damaged.

And in the end the negotiation strategy carried out by Indonesia worked effectively, because Tesla changed their perception that Indonesia was now committed to supplying *renewable nickel mined for electric vehicle batteries* ; who previously viewed Indonesia as carrying out unsustainable policies. In this way, Tesla is enthusiastic about resuming investment cooperation with Indonesia regarding the establishment of an electric vehicle factory. The province of North Kalimantan in Indonesia would be a good area, according to Minister Luhut, for a Tesla battery factory if the final stages of negotiations are successful.

After previous negotiations went smoothly, Indonesia scheduled another meeting with Tesla; where President Jokowi will carry out negotiations with Elon Musk as a form of realizing an adequate agreement on investment in electric vehicles. Negotiations between President Jokowi and Elon Musk as CEO of Tesla took place in Boca Chica, United States on May 14 2022. During these negotiations, Tesla became increasingly optimistic about the potential for an attractive and promising investment climate for electric vehicle batteries; because Indonesia has implemented import duty exemptions to achieve *competitive prices* for Tesla's electric vehicle products and nickel mining areas which are considered strategic (BBC Indonesia, 2022). In his negotiations, President Jokowi continues to believe that Tesla is committed to establishing an electric vehicle battery factory in Indonesia which includes plans to build several facilities to serve *the production and supply chain* .

The results of negotiations between President Jokowi and Tesla were successful; where Tesla will set up a factory for the lithium battery ecosystem and electric vehicles in the industrial area of Batang Regency, Central Java. The Tesla factory in Indonesia is planned to have a production capacity of 1 million four-wheeled electric vehicles per year. This plan is in line with Tesla's mission, which wants all its factories throughout the world to achieve this capacity target.

Apart from that, Tesla also agreed to a contract to purchase nickel from Indonesia for US\$5 billion or around Rp. 74.5 trillion. The purchase was carried out through collaboration between Tesla and *PT Broly Nickel Industry* in the Morowali area, Central Sulawesi within a five year contract (Roziki, 2022). Tesla is also approaching an initial agreement with Indonesia to build a production facility with a capacity of 1 million electric car units. Tesla CEO Elon Musk is optimistic that electric car production in Indonesia will make it easier to create trade interconnectivity, because it can supply the markets of Australia, New Zealand and Taiwan. In this way, thanks to the success of the advanced stages of negotiations between Indonesia and

Tesla; then it will have a positive impact on Indonesia's *national interest* itself, such as (Watubun, 2022):

1. The availability of extensive job opportunities in Indonesia and reducing the unemployment rate. This is proven by the fact that quite a lot of Indonesians live in the area around the mining site, so that the government will guarantee them employment in nickel mining and electric vehicle battery factories.
2. The electricity-based automotive industry is experiencing an increase and has the potential to increase national economic growth rates.
3. Indonesian people will switch to using electric vehicles that are environmentally friendly and without emissions; thus automatically abandoning fossil fuel vehicles.
4. Tesla's presence has the potential to transfer capital, knowledge, technology, entrepreneurship, and their various products; where this will influence Indonesia's progress in the future.

Indonesia has carried out further negotiations with Tesla to finalize an investment agreement to establish an electric vehicle factory in 2023. The agreement with Tesla may fail if it does not have a strong *bargaining position* and commitment, so Indonesia remains optimistic about fighting so that their negotiation process is truly successful. succeed in the automotive industry, to obtain benefits that can be enjoyed by all Indonesian people equally.

Indonesia plans to resume final negotiations with Tesla in a more comprehensive manner which is scheduled for August 3 2023, with the aim of ensuring clarity on Tesla's investment. Indonesia also promised the final intensive to Tesla in the negotiation stage, so that it would be interested in investing in the electric vehicle ecosystem. Through these negotiations, Indonesia will emphasize to Tesla that Indonesian nickel has advantages as cobalt for raw materials for electric vehicle batteries. An integrated nickel downstream program from upstream to downstream is the key to Tesla agreeing to finalize investment in electric vehicle batteries in Indonesia (Nasution, 2023).

At the follow-up meeting between Indonesia, represented by Minister Luhut, and Elon Musk on August 3 2023, Tesla's investment had not yet reached a point of agreement. This was motivated by Tesla deciding not to invest for a year and a half throughout the world (including in Indonesia). Tesla's decision was due to sluggish global economic conditions, as well as Tesla's very significant production of electric vehicles. Of the three million car units produced, Tesla only managed to sell 1.8 million units.

Indonesia is optimistic that Tesla will prioritize Indonesia as a *focus investment area* and the detailed value is predicted to be quite large. However, an effective negotiation strategy with

Tesla needs to be the main point so that Indonesia cannot be dictated to by foreign parties for the sake of national pride and seeks to find a middle way to reach an agreement that is reciprocal and beneficial for both Indonesia and Tesla.

On the other hand, an optimistic attitude needs to be Indonesia's main concern, after Thailand invited Tesla to *survey* the possibility of investing in electric vehicle batteries in industrial areas in that country (Putra, 2023). The possibility of failure in negotiations between Indonesia and Tesla is quite visible, because of Thailand's ambition to divert 2.5 million conventional car production to electrification *by* 2030. Thailand has also prepared attractive incentives and is promoting *internal combustion engines* (ICE) in every focused industry. on *renewables* to Tesla (Sandi, 2024). The prospect of a sustainable environment has the potential to divert Tesla from investing in Thailand rather than Indonesia.

Referring again to Paul Meerts' analysis, *the keywords* of diplomatic negotiations are "convincing" and "information games". Indonesia has shown that it is ready to accept investment in establishing an electric vehicle battery factory, but Indonesia's prospects themselves still do not convince Tesla. This multinational company prioritizes 100% *eco-friendly values* in implementing *electric vehicle battery production facilities*. This is proven by the fact that Indonesia and China's nickel processing is very environmentally unfriendly, especially in building mining facilities; starting from land grabbing to destroying forests and wild animal habitats (Singgih, 2023). Therefore, Indonesia must convince Tesla as a negotiating partner regarding sustainable nickel downstream standards:

1. Utilization of *recycled* secondary mineral sources in nickel mining, such as *spent catalyst*.
2. Adopt energy storage media, such as *fuel cells* and *carbon capture utilization and storage* in every nickel processing plant.
3. *Land clearing* process to build nickel mining, minimizing damage to the environmental ecosystem.

Indonesia also needs to understand that in order for their negotiation process to be successful with investors like Tesla, it is an information game. The meaning of the game is that Indonesia provides strategic information in order to reach an agreement and benefit the interests of both parties through *Government to Business communication*. This information relates to intensive provision and clear regulations. In the information game, Indonesia needs to understand Tesla's own needs, especially regarding tax cuts and providing subsidies so that the company is committed to investing its capital in the conversion of electric vehicle battery

manufacturing. These two things also make it possible for the opportunity to reach *a deal* between Indonesia and Tesla to be very large.

Since 2024, Indonesia has succeeded in having an alternative option if negotiations with Tesla end in failure. This option is in the form of Indonesia exploring investment in an electric vehicle manufacturer from China, namely BYD. This option was taken based on the slow update and movement from Tesla regarding the company's serious plans for investing in electric vehicles in Indonesia. The price factor of electric vehicles is also a consideration for Indonesia to choose BYD as an investment partner. BYD offers affordable electric vehicle prices, ranging from IDR 400-500 million (Nurhuda, 2024). Meanwhile, the price of Tesla's electric vehicles *starts* from IDR 600 million.

Indonesia's position is not worried about the failure of the investment project deal with Tesla, although on the other hand, Indonesia is still optimistic about waiting for Tesla's promise to finalize investment in electric vehicles. This moment also needs to be a reflection for Indonesia as a provider of raw material supplies for the nickel commodity so that it is committed to carrying out nickel downstream activities that are environmentally friendly and sustainable; thus convincing Tesla's perception of finalizing direct investment in several *regions* that have been determined by Indonesia in the near future.

## CONCLUSIONS AND RECOMMENDATIONS

Indonesia is a country that has very abundant nickel resources, so this is an attraction for foreign investors to invest capital at a time when market demand for lithium batteries for electric vehicles is increasing drastically. One of the foreign investors or multinational companies who are interested in the potential of Indonesian nickel, namely Tesla, Inc.

Knowing this interest, Indonesia is trying to carry out intense negotiations and *lobbying against the company Tesla, Inc.* regarding investment in lithium batteries for electric vehicles, because these multinational companies have several advantages; where their industrial model must use green/environmentally friendly technology, and Tesla's cars on average have much lower emissions than fossil fuel vehicles; accompanied by various advanced features and *Megapack* which has a very large battery capacity.

However, referring to the analysis according to *rational choice theory* , Tesla as an investor who adopts policies that support sustainable development, sees based on rational calculations that the nickel mining process in Indonesia is seen as destroying nature; and Indonesia is not committed to implementing ESG ( *Environment, Social and Governance* ) principles . This will not achieve results that are in line with their principles and will be

detrimental to Tesla's own interests, if they continue to explore investment cooperation with Indonesia.

Therefore, Tesla, with its *rational choice*, chose India in 2022 and most likely chose Thailand as an investment destination in 2023-2024, which is considered by both countries to use environmentally friendly technology and has the potential to reap profits in terms of income from investment in electric vehicles. in that country.

Then, referring to *investment negotiations* according to Paul Meerts, Indonesia is trying to rebuild negotiations with Tesla, so that Indonesia's image and self-esteem as the largest nickel producing country globally is not bad in the international world. Therefore, Indonesia sent their leaders who are very competent in negotiating, such as President Jokowi and Minister Luhut. B Pandjaitan to meet directly with Elon Musk as the owner of Tesla, Inc. They promote that Indonesia has a wide market, thereby gaining benefits for Tesla and Indonesia itself as a *host country*. In order for negotiations to proceed without obstacles, Indonesia needs to monitor Tesla's interests, based on the principle of *who gets what, when, and how*. An integrative negotiation strategy was also used by Indonesia to encourage Tesla to be enthusiastic about continuing investment cooperation with Indonesia.

*sustainability* values. Indonesia's optimism is also based on the fact that Tesla's electric vehicle production has reached 11 times since 2022, so that Tesla's need to obtain nickel as a raw material for lithium batteries automatically also increases. If this investment cooperation is officially realized between the two parties, it will support Indonesia's national interests which are oriented towards economic growth and social welfare (opening access to employment opportunities).

If we reflect on it, Indonesia's position will experience various challenges, one of which is competition from competitors such as Malaysia, which is also determined to lobby *for* Tesla to choose one of these countries to build an electric vehicle ecosystem. This opportunity is also a consideration for Tesla after seeing environmental standards in Indonesia which are still not guaranteed and are poor. Thus, Indonesia has alternative options regarding investment partners, if there is speculation that Indonesia and Tesla will not reach an agreement in the final stages of negotiations in the future.

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