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EDITORIAL ANALYSIS

Nickel Diplomacy: India, Indonesia and the Critical-Minerals Race

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Nickel Diplomacy: India, Indonesia and the Critical-Minerals Race

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GS2

GS3

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THE LIFT LINE

The energy transition is also a minerals transition, and whoever secures nickel, cobalt and lithium secures the batteries of the future. Prime Minister Modi's visit to Jakarta places India at the door of the world's largest nickel producer. Turning that visit into durable processing partnerships is how India can power its electric-vehicle ambitions while loosening China's grip on the critical-minerals supply chain.

WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

Bilateral (<https://ujyari.com/vocab/bilateral/>) diplomacy, Act East policy, supply-chain security and clean-energy manufacturing converge, making this relevant to two GS papers at once.

GS Paper 2: India and its neighbourhood; bilateral, regional and global groupings involving India; effect of policies of developed and developing countries on India's interests; India's Act East policy (<https://ujyari.com/terms/act-east-policy/>) and ASEAN engagement.

GS Paper 3: Indian economy and mobilisation of resources; infrastructure; energy security (<https://ujyari.com/terms/energy-security/>); supply-chain resilience; developments in science and technology (batteries, EVs).

Prelims angle: India-Indonesia Comprehensive Strategic Partnership, the National Critical Mineral Mission (<https://ujyari.com/schemes/national-critical-mineral-mission/>), KABIL, ASEAN, the Indo-Pacific, and Indonesia's position in global nickel output.

Mains angle: Analyse how critical-minerals diplomacy fits India's Act East policy and supply-chain security, using the India-Indonesia relationship as a case study.

BACKGROUND AND CONTEXT

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Prime Minister Narendra Modi is visiting Indonesia from July 6 to 8, 2026, at the invitation of President Prabowo Subianto, a visit expected to elevate the Comprehensive Strategic Partnership between the two countries. Critical minerals (<https://ujjiyari.com/terms/critical-minerals/>) sit at the centre of the agenda.

Indonesia dominates the global critical-minerals sector. It commands roughly 21 per cent of the world's nickel reserves and ranks among the top producers of copper, bauxite and tin. Nickel is essential for electric-vehicle batteries and stainless steel, precisely the inputs India needs as it scales up EV manufacturing. India currently imports more than 80 per cent of its ferronickel needs from Indonesia, and domestic demand for EV battery materials is met almost entirely through imports.

The strategic wrinkle is China. Chinese firms control a large share of Indonesia's nickel refining capacity, roughly three-quarters, and a dominant slice of global refined nickel. By partnering directly with Jakarta, India can diversify its supply chains and reduce dependence on Chinese processing. Government sources indicate that Memorandums of Understanding are expected across critical minerals, healthcare, pharmaceuticals, education and space.

THE CORE ARGUMENT / ISSUE

Minerals are the new oil of the energy transition

The shift to electric mobility and clean energy runs on batteries, and batteries run on critical minerals. A country that cannot secure nickel, lithium and cobalt cannot control its own energy-security and manufacturing destiny. For India, minerals diplomacy is now as strategic as oil diplomacy once was.

Reserves, refining and the China question

DIMENSION	POSITION
Nickel reserves	Indonesia holds roughly 21 per cent of the world total
India's dependence	Over 80 per cent of ferronickel imports from Indonesia
Refining bottleneck	Chinese firms control about 75 per cent of Indonesia's nickel refining
India's institutional tools	National Critical Mineral Mission; KABIL for overseas acquisition
Strategic frame	Act East policy; Indo-Pacific; Comprehensive Strategic Partnership

Owning reserves is not enough; the value and the **vulnerability** (<https://ujjiyari.com/vocab/vulnerability/>) lie in processing. Because China dominates Indonesian refining, India's real prize is joint ventures in processing and battery-grade material, not merely raw ore offtake. India's National Critical Mineral Mission and KABIL (the public-sector vehicle for acquiring overseas mineral assets) are the instruments to pursue exactly this.

Diplomacy anchored in Act East and the Indo-Pacific

Indonesia is a pivotal ASEAN state and a maritime neighbour astride vital sea lanes. Deepening ties with Jakarta advances India's Act East policy and its vision of a free, open and rules-based Indo-Pacific. Critical-minerals cooperation gives economic substance to a partnership that also spans defence, connectivity and maritime security, reflecting India's official framing of a Comprehensive Strategic Partnership.

HOW TO THINK ABOUT THIS (ANALYTICAL FRAME)

Use a **resource-security value chain** lens: extraction (mining), processing (refining to battery grade), and manufacturing (cells and EVs). India's weakness is concentrated in the middle, processing, where China is dominant. The strategic goal of nickel diplomacy is therefore to move up the chain through joint processing ventures, not just to lock in ore.

Overlay the **diversification imperative** (<https://ujiyari.com/vocab/imperative/>): overdependence on any single supplier, especially a strategic competitor, is a vulnerability. Partnering with Indonesia is one node in a wider "friend-shoring" strategy that includes Australia, Africa and Latin America. The test of success is not one deal but a diversified, resilient portfolio.

THE DIAGRAM IN WORDS

Picture a battery for an Indian electric car. Trace its supply chain backward: the cell factory in India, the refined nickel that feeds it, the mine in Sulawesi where the ore is dug, and, sitting astride the refining step, a Chinese-controlled bottleneck. Nickel diplomacy is the effort to route around that bottleneck: a new arrow running directly from Indonesian mines through India-Indonesia joint processing plants to Indian battery factories, so that the road from ore to EV no longer passes through a single strategic **chokepoint** (<https://ujiyari.com/vocab/chokepoint/>).

WAY FORWARD

- ❶ **Pursue joint processing ventures.** Move beyond raw-ore imports to India-Indonesia refining and battery-material joint ventures, using KABIL and private partners.
- ❷ **Operationalise the Critical Mineral Mission.** Fund overseas asset acquisition, strategic stockpiles and domestic recycling to reduce import dependence.
- ❸ **Anchor in Act East.** Deepen the Comprehensive Strategic Partnership across defence, maritime security and connectivity, giving minerals cooperation strategic depth.
- ❹ **Diversify the portfolio.** Complement Indonesia with Australia, Africa and Latin America to avoid a new single-source dependency.

5 **Invest in recycling and substitutes.** Build urban-mining and battery-recycling capacity and support research into nickel-lean chemistries for long-term resilience (https://ujivari.com/vocab/resilience/).

PYQ LINKAGE AND PRACTICE

The theme extends UPSC’s interest in India’s Act East policy and resource security. **UPSC Mains GS2 (2017):** “The question of India’s Energy Security constitutes the most important part of India’s economic progress.’ Analyse India’s energy policy cooperation with West Asian countries.” maps directly onto resource diplomacy, while **GS2 (2020)** questions on India-ASEAN ties are equally relevant.

Practice question (Mains, 15 marks, 250 words): “Critical minerals are becoming central to India’s energy and manufacturing security. In the light of India-Indonesia cooperation, examine how minerals diplomacy strengthens India’s Act East policy and supply-chain resilience.”

Sources: The Indian Express (https://indianexpress.com)

Source: Nickel Diplomacy: India, Indonesia and the Critical-Minerals Race — Ujivari.com | Free UPSC & State PCS Editorial Analysis

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