

The Impact of PT Vale's Investment on the Sorowako Village Community Nuha District 2019-2024

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ABSTRACT

The impact of PT Vale's investment on the community of Sorowako Village, Nuha District, during the 2019–2024 period focuses on the socio-economic effects arising from the company's investment activities, including increased income, expanded employment opportunities, and the development of local businesses. This study employs a qualitative method, with data collected through in-depth interviews, observation, and documentation. The findings indicate that the presence of PT Vale has made a significant contribution to community economic growth, particularly through increased trade and service activities, as well as business opportunities generated by the high demand from company employees. However, during the COVID-19 pandemic in 2021, community incomes declined due to activity restrictions and workforce reductions. Overall, PT Vale's investment has played a positive role in improving local living standards, although sustainability strategies are still needed to ensure that the benefits are equitably distributed and can be sustained over the long term

Keywords: Investment¹, PT Vale², Socioeconomic Impact³

INTRODUCTION

PT Vale Indonesia Tbk (formerly PT Inco) is a multinational nickel mining company established on 25 July 1968 under a first-generation Contract of Work, making it one of the oldest companies in Indonesia's mining sector with exploration rights in the Sorowako area of South Sulawesi. This Canadian-based company marked the early phase of large-scale foreign investment in Indonesia's natural resource sector. A major transformation occurred in 2006 when the global mining

company from Brazil, Vale S.A., began acquiring a majority shareholding in PT Inco. This process culminated in the official change of the company's name to PT Vale Indonesia Tbk in 2011.

A fundamental change at PT Vale Indonesia following the acquisition and corporate rebranding was the transition from the Contract of Work framework to a share divestment scheme, under which the company is required to divest at least 51% of its shares to national entities, in accordance with Government Regulation No. 1 of 2017, including to MIND ID, in order to strengthen state control over natural resources. PT Vale's operations in Sorowako employ open-pit mining to extract lateritic nickel, which is then processed into nickel matte. These processing facilities are supported by three hydroelectric power plants with a total capacity of 365 megawatts, significantly reducing dependence on fossil fuels and lowering carbon emissions by approximately 1 million tons of CO₂ per year. The mining activities generate multi-layered socio-economic impacts, with positive effects including the provision of public facilities, employment opportunities, increased household income, and expanded business prospects (Ali et al., 2025; Rossini et al., 2025). However, negative impacts also exist, such as the potential increase in health problems associated with declining air quality (Doherty et al., 2017; Manosalidis et al., 2020). As a multinational corporation, PT Vale is committed to sustainable mining practices and corporate social responsibility programs to minimize environmental impacts and enhance local welfare, thereby affirming its role as an important component of foreign direct investment in driving national development.

The liberalization of investment regulations in Indonesia has increased inflows of foreign direct investment, bringing capital and technology and contributing positively to economic development, although its impact on employment creation remains subject to further assessment (Dedrick et al., 2003; Wong et al., 2005). FDI and inflation have been found to exert a significant positive effect on economic development, while environmental degradation has a negative impact. Globally, FDI plays a crucial role in driving economic growth in developing countries, not only through the provision of foreign capital but also via technology transfer, job creation, and productivity enhancement, as evidenced in cases such as

Tanzania and countries in Sub-Saharan Africa. According to global data (IMF 2025: global FDI stock of USD 41 trillion; FDI inflows to developing countries increased by 7.6 percent to USD 538 billion; UNCTAD 2024: FDI inflows to Southeast Asia reached USD 235 billion), FDI constitutes a strategic instrument for development. The presence of foreign investors such as PT Vale strengthens the link between global investment and sustainable development; however, the success of FDI largely depends on political stability, institutional quality, and the coherence of national investment policies.

PT Vale's investment in Sorowako has had a significant impact on the local community in Nuha District, which had a population of 23,399 in 2020, and particularly on Sorowako Village, with a population of 9,712. These impacts encompass economic, social, and environmental dimensions. The presence of PT Vale has created both direct and indirect employment opportunities for local residents, supported by various training and capacity-building programs (Albright & Crow, 2021; Belayneh et al., 2018). In the social sphere, the company's corporate social responsibility initiatives have contributed to improving quality of life through the provision of scholarships, healthcare services, and infrastructure development (Ebekozien et al., 2025; Parra, 2008; Simchenko & Piskun, 2019). However, concerns remain regarding potential negative social impacts, including changes in social structures resulting from processes of modernization.

Some studies that are also relevant to this research include research Muhammad et al., (2024) who see that mining has a significant impact on the environment and the community where mining has received a very high response of rejection. Dalam Arula et al., (2025) This Community Empowerment Program has met its targets because it was mapped out from the outset, reflecting the needs of its beneficiaries. Furthermore, active outreach by village governments in each village and sub-district, as well as through village deliberation forums, has facilitated community access to information about the program.

Multinational corporations (MNCs) such as Vale S.A., Shell, Toyota, Unilever, and TotalEnergies play a crucial role in driving the growth of strategic sectors such as mining, energy, and manufacturing in developing countries,

including Indonesia. MNCs bring capital, technology, job creation, and industrial modernization. However, their presence also poses challenges, particularly in relation to unequal control over local resources and environmental risks. Therefore, MNC investment must be examined critically by taking into account local dynamics and global social responsibility.

It is important to specifically analyze the form of investment undertaken by PT Vale Indonesia and its impacts on the socio-economic conditions of the community in Sorowako Village, Nuha District. The 2019–2024 period is especially critical, as it includes the COVID-19 pandemic, during which restrictions such as Large-Scale Social Restrictions and policy changes including fiscal relaxation and digitalization affected corporate investment strategies and corporate social responsibility programs. Accordingly, this study aims to examine the nature of PT Vale's investment and to analyze its impacts on the community of Sorowako Village, Nuha District, during the 2019–2024 period.

METHOD

This study examines in depth the forms of investment undertaken by PT Vale Indonesia Tbk and their impacts on the local community in Sorowako Village, Nuha District, East Luwu, South Sulawesi, during the 2019–2024 period. Employing a qualitative approach using a phenomenological method within a case study design, the research aims to identify the nature of PT Vale's investment and to analyze its impacts on the community of Sorowako Village, Nuha District, from 2019 to 2024 (Khan, 2014). Primary data were collected through semi-structured interviews with key stakeholders, including company representatives, local government officials, community leaders, and local employees, as well as through non-participant observation at the mining site and surrounding communities. Secondary data were analyzed from company annual reports, government policy documents (including those related to COVID-19 and large-scale social restrictions), and relevant academic publications on foreign direct investment (FDI) and human capital theory. Data analysis was conducted using thematic analysis through three stages data reduction, data display, and conclusion drawing to construct a contextual

framework for understanding the relationship between foreign investment and sustainable development at the local level.

RESULT AND DISCUSSION

PT Vale's Investment Plan in Nuha District for the 2019-2024 Period

PT Vale Indonesia Tbk represents a form of foreign direct investment (FDI) as a subsidiary of Vale S.A., a multinational corporation based in Brazil, operating in Sorowako, Nuha District, East Luwu Regency. Its operational structure takes the form of a wholly owned subsidiary, driven by Vale's technological advantages in nickel production (ownership advantages), the strategic location of Sorowako with its abundant nickel reserves (location advantages), and the need to maintain full control over production processes (internalization advantages). Nuha District, which constitutes Vale's primary area of operation, covers an area of 808.27 square kilometers, and the majority of its population particularly in Sorowako Village is employed in the nickel mining sector, although some residents are also engaged in agriculture and fisheries (Taufik et al., 2022).

The business relationship between PT Vale and the Government of Indonesia underwent significant changes from 2019 to 2024 through a share divestment policy mandated by national regulations to increase domestic ownership. This process constituted a key requirement for PT Vale to extend its operating license beyond 2025, transitioning from a Contract of Work to a Special Mining Business License. Chronologically, on 11 October 2019, PT Vale initiated the process by signing a preliminary agreement to divest 20 percent of its shares to MIND ID, the state-owned mining holding company. This was reinforced by the signing of the final Definitive Sale and Purchase Agreement on 19 June 2020. The acquisition of the 20 percent stake officially altered PT Vale's status from a fully foreign-controlled entity (wholly owned subsidiary) to a partnership with a national entity (shared ownership), in line with theoretical perspectives that support host-country regulation to safeguard strategic resources. Following 2020, the company underwent structural transformation, adjusting its corporate governance and business strategies to better align with national interests, including supporting

Indonesia's nickel downstreaming industrial policy (Wijaya & Jones, 2025; Wijayanto et al., 2024).

The share divestment process of PT Vale is strongly supported by the legal framework of the Mining Law (Law No. 3 of 2020), which requires foreign mining companies to divest up to 51 percent of their shares to domestic entities. Building on the 2019–2020 agreement, in February 2024 MIND ID together with Vale Canada Limited (VCL) and Sumitomo Metal Mining (SMM) signed an additional agreement to acquire further shares. As a result, in July 2024 MIND ID officially became the largest shareholder with an ownership stake of approximately 34.00 percent, surpassing VCL (33.88 percent) and SMM (11.48 percent). With a share price of IDR 3,050 per share, PT Vale is now jointly controlled by MIND ID and VCL. This joint control aims to ensure an integrated upstream-to-downstream mining ecosystem in Indonesia, encompassing exploration, mining, and the processing of nickel ore into nickel matte, as well as supporting the electric vehicle battery industry. This strategic acquisition not only increases national ownership but also strengthens Indonesia's position in the global nickel supply chain, supported by commitments to technology transfer and the implementation of environmental, social, and governance (ESG) standards (Rukmana et al., 2025).

Impact of Investment on Community Economic Growth

The presence of PT Vale Indonesia has made a significant contribution to local economic growth. One of the most tangible impacts experienced by the community is the increase in activity within the service and trade sectors, particularly in food stalls, cafés, and other small-scale businesses.

Table 1. Business Sector Categories and the Impact of PT Vale Investments on Community Economic Growth

No	Sektor Usaha	Usaha Partisipan	Omset (Bulan)	Dampak
1	Jasa dan Perdagangan	Kios campuran (Bapak Irfan, Bapak Rahmat), toko buah (Pak Ahmad), apotek (Ibu Suri)	Rp. 6.500.000	Meningkatnya aktivitas jual beli harian akibat permintaan dari karyawan PT Vale dan pekerja proyek luar daerah; omzet meningkat setelah 2022; pemulihan cepat pasca-pandemi karena PT Vale tidak melakukan PHK

2	Warung Makan	Penjual pepes dan gogos (Ibu Tuhari), warung klontong di akses pertambangan	Rp. 3.200.000	Lonjakan pelanggan dari karyawan dan kontraktor; omzet naik signifikan 2022–2024; terdampak saat pandemi 2021 karena pembatasan aktivitas, namun kembali pulih pasca pelonggaran.
3	Kafe	Café Nonuna (Bapak Cecep)	Rp. 12.000.000	Karyawan PT Vale dan pendatang menjadi pelanggan tetap; sering menerima pesanan acara perusahaan; penurunan pelanggan saat pandemi 2021, namun cepat pulih setelah 2022
4	UMKM	Penjual barang campuran, pedagang buah, warung kecil di sekitar tambang	Rp. 7.000.000 – Rp. 10.000.000	Munculnya usaha baru karena peluang dari konsumsi pekerja; peningkatan perputaran ekonomi lokal; penurunan sementara saat pembatasan COVID-19, lalu rebound lebih tinggi setelah 2022.

Table 1, entitled Categories of Business Sectors and the Impact of PT Vale's Investment on Community Economic Growth, illustrates four main categories of business sectors in Nuha District that have been directly affected by PT Vale Indonesia's investment, namely the service and trade sector, food stalls, cafés, and micro, small, and medium enterprises (MSMEs). In the service and trade sector, businesses such as small retail kiosks, fruit shops, and pharmacies have experienced increased daily trading activity (Guthrie et al., 2006; Reardon et al., 2012). High demand has come from PT Vale employees as well as project workers from outside the region, resulting in a sharp increase in business turnover after 2022. An important factor supporting the recovery of this sector was PT Vale's policy of not implementing layoffs during the pandemic, which helped maintain the community's purchasing power.

The food stall sector experienced similar effects. Vendors selling traditional foods such as pepes and gogos, as well as small grocery stalls along mining access routes, reported a significant increase in customer numbers. However, the COVID-19 pandemic in 2021 temporarily reduced their income due to restrictions on socio-economic activities. Nevertheless, following the relaxation of these policies, the

sector rebounded and even recorded higher turnover levels than those observed prior to the pandemic.

Meanwhile, the café sector demonstrates a closer relationship with the company. A clear example is Café Nonuna, whose customers are predominantly PT Vale employees and migrants. This café serves not only as a regular place for consumption but also frequently receives orders for company events, illustrating a direct linkage between corporate activities and local economic dynamics. Although the café sector experienced a downturn during the pandemic, it recovered relatively quickly after 2022. The final category is MSMEs more broadly, such as mixed-goods vendors and small traders operating around the mining area. The presence of PT Vale has encouraged the emergence of new businesses due to the high consumption levels of workers, thereby further increasing the circulation of the local economy (Kantis et al., 2002; Schattan P. Coelho & Favareto, 2008).

Although the pandemic temporarily slowed development, the post-2022 recovery enabled this sector to rebound with stronger economic resilience. Overall, the analysis of this table demonstrates that the presence of PT Vale Indonesia has contributed positively to the economic growth of communities surrounding the mining area, particularly by fostering the formation of a small-business ecosystem driven by the consumption of employees and contractors. Despite the disruptions caused by the pandemic, the company's policy of retaining its workforce, along with the increased inflow of workers from outside the region after 2022, accelerated recovery and strengthened the local economy.

However, this ownership structure began to change in response to Indonesia's national policies that restructured the governance of the strategic mining sector. Through Government Regulation No. 1 of 2017 and Law No. 3 of 2020 (the amendment to the Mining Law), the Government of Indonesia requires foreign mining companies to divest at least 51 percent of their shares to national entities as a condition for obtaining an extension of their operating licenses in the form of a Special Mining Business License (Izin Usaha Pertambangan Khusus/IUPK). As a holder of a first-generation Contract of Work, PT Vale

Indonesia was required to comply with this policy in order to extend its operations until 2035.

As an implementation of these regulations, on 7 October 2020 PT Vale, together with its two major foreign shareholders Vale Canada Limited (VCL) and Sumitomo Metal Mining (SMM) sold a 20 percent equity stake to MIND ID, Indonesia's state-owned mining holding company. The transaction was valued at approximately IDR 5.52 trillion, or equivalent to USD 371 million, making MIND ID one of the significant shareholders within the company's ownership structure.

This structure reflects a shift from a purely foreign direct investment (FDI) model toward a form of limited partnership, yet it remains far from a joint venture scheme, which typically involves risk sharing, joint management, and the establishment of a new entity. In the case of PT Vale, the company continues to operate as a single corporate entity, with changes occurring only in the distribution of share ownership and voting rights.

From an international relations perspective, PT Vale Indonesia constitutes a highly relevant non-state actor in discussions on the role of multinational corporations (MNCs) in the global political economy. According to Robert Gilpin (1987), multinational corporations are not merely economic entities but also political actors capable of influencing host-country policy directions through their capital strength, technological capabilities, and transnational networks. Susan Strange (1996) further argues that MNCs reflect a shift of power from states to markets, whereby multinational corporations increasingly play a dominant role in shaping capital flows, resource allocation, and even social norms through their cross-border operations.

PT Vale Indonesia's investment in Nuha District, East Luwu, represents a concrete example of how foreign direct investment (FDI) operates within Indonesia's national and local economic structures. Within the framework of international relations and global political economy studies, PT Vale's investment can be classified as FDI in the form of a foreign subsidiary (wholly owned subsidiary) rather than a joint venture (Silva, 2016). This implies that for several decades of its early operations, the company was fully controlled by its foreign

parent company, Vale Canada Limited, prior to its full acquisition by Vale S.A. of Brazil. From the perspectives of Human Capital Theory and FDI, PT Vale's investment can be assessed as having made a positive contribution to the development of local capacity in Nuha District. However, to generate broader and more inclusive impacts, improvements are still needed in terms of transparency, community participation, and the distribution of benefits from the company's corporate social responsibility programs.

CONCLUSION

This study finds that PT Vale's investment in Nuha District during the 2019–2024 period constitutes a comprehensive form of direct investment, encompassing the development of mining facilities, supporting infrastructure, and community empowerment programs. This investment has been directed toward balancing nickel extraction activities with efforts to improve the quality of life of local communities, resulting in tangible contributions to both macroeconomic growth, in terms of regional revenue, and microeconomic outcomes, particularly community welfare. The presence of PT Vale has stimulated significant growth in local service and trade sectors, including food stalls, cafés, and MSMEs, whose customers are predominantly employees and project workers. These contributions have been further strengthened by corporate social responsibility programs and human capital development initiatives, such as the construction of public infrastructure, MSME empowerment, scholarships, vocational training, and the prioritization of local recruitment. Even during the COVID-19 pandemic, PT Vale played an active role in supporting public health and maintaining local economic stability by avoiding layoffs. After experiencing a decline in 2021, the local economy increased sharply during 2022–2024, surpassing pre-pandemic conditions, supported by the inflow of new workers. Overall, PT Vale's investment is shown to be oriented not only toward financial returns but also toward strengthening community capacity through sustainable development

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