Apr. 6, 2018
J. Post

Creative minds to boost investment

Govt needs to open sectors least affected by global sentiment

Foreigners welcome if they can contribute, businesses say

Rachmadea Aisyah
THE JAKARTA POST/ JAKARTA

The fourth industrial revolution, which is marked with technological breakthroughs in many fields, has prompted Indonesia to become more open to the global market and capital, as the country competes with other emerging economies to raise investment.

Even if the country attracts foreign investment, it could risk seeing capital outflows due to global sentiment, such as the United States Federal Reserve's interest rate hike or the looming trade war between the US and China.

Investment Coordinating Board (BKPM) head Thomas Lembong said Indonesia needed to be creative in luring investment by showing off sectors that were least affected by global sentiment.

"Pragmatically, this trade war is concentrated in commodities for exports and imports," Thomas told reporters on the sidelines of *The Economist's* 2018 Indonesian Summit in Jakarta on Thursday. "Many of our economic sectors, such as services and tourism, are not affected by it."

Last year, tourism booked 25.68 percent annual growth, five times the overall economic growth rate of 5.07 percent, despite the eruption of Mount Agung in Bali, the country's top tourist destination.

Thomas said the Industry Ministry also planned to implement a "super tax deduction", a tax credit that can reach up to 200 percent, for companies dedicated to research and development. The government will also try to boost investment in less conservative fields, such as the movie industry.

"This [industrial] revolution is coming to us and there is no way to avoid it [...] Please give us time to formulate investment policies in response to this Industry 4.0," Thomas added.

He also reiterated President Joko "Jokowi" Widodo's belief that the industrial revolution would create more jobs than it would destroy. "Jobs [caused by the revolution], in fact, will not be that highly skilled," said Tom. "Even robots and machines will need maintenance or have parts replaced, and humans are going to be the ones who do it."

Meanwhile, as the government pushes for deregulation and incentives to lure more money, business stakeholders have underlined the importance of bringing in any form of talent available, including foreigners, especially as Indonesia is still struggling to create a workforce that fits today's robust development in almost all sectors of industry.

Go-Jek founder and CEO Nadiem Makarim was among those who underlined immigration policies for foreign workers as a key to encourage the best people in their respective fields to come and develop the economy.

Nadiem hinted his support for the government, saying that all the noise over the administration had covered the fact that the government had actually done more to ease doing business.

"The government has never actually stopped working and we are collaborating with them," he said.

Nadiem pointed out that it was important for the government to stick to a set of basic principles in creating economic regulations, as vast progress would make it unable to fully regulate existing economic actors.

"Regulations can become obsolete while business is growing much faster than that, so make sure the rules are not predatory or destructive," said the Harvard graduate. "Any innovation that creates jobs should not be stopped. As long as [the government is] aligned with the development, you'll be fine."

Founder and managing partner of Lippo Group's Venturra Capital, Rudy Ramawy, said even though half of the population was connected to the internet, there was still a great lack of domestic innovation.

"They need talent that can help them build products and disrupt the market very quickly," he said, suggesting that there shouldn't be a problem with bringing talented foreigners into the domestic industry. "Having talent from around the world and local talent to come up with products that fulfill local needs is important."

Former trade minister and economist with the Centre for Strategic and International Studies (CSIS) Mari Elka Pangestu said that, through the fourth industrial revolution, the government should recognize the need to leverage foreign talents working for the domestic industry.

"If the government can focus on improving the manufacturing [sector] and recognizing our need to use foreign talent to help us innovate, our industrial revolution will be complete," Mari said.

POLICY EASING

New BI rules take aim at bank liquidity, loan growth

Apr. 6. 2018
J. Post

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THE JAKARTA POST/JAKARTA

Incoming Bank Indonesia (BI) governor Perry Warjiyo, who was recently approved by the House of Representatives, will be equipped with new tools to ensure that banks manage their liquidity better and disburse more loans.

The new policies, originally introduced during BI's annual meeting last November, were issued on Thursday and are ready to be implemented under Perry's supervision, starting after his inauguration on May 23 to replace the outgoing BI Governor Agus Martowardojo.

The first policy was a relaxed version of banks' primary reserve requirement (GWM) — the minimum value of banks' liquidity hold in BI's reserve.

In the new rule, called "averaging-GWM", banks must set aside an average of 2 percent of its third-party, rupiah-denominated funds within a two-week period, higher than the 1.5 percent BI previously set.

With the new settings, banks are expected to have more flexibility in managing their liquidity, Dody Budi Waluyo, BI's executive director for monetary and economic policy, said on Thursday.

"With more flexibility given to the banks in managing their liquidity, it is hoped that they funnel their liquidity to other instruments, which will assist our initiatives in deepening the financial market," said Dody, who will fill the deputy governor spot left by Perry.

The averaging-GWM will also be applied to foreign-denominated third-party funds. Conventional banks are expected to keep 8 percent of their foreign-currency third-party funds in BI's reserve, but they can average the GWM at 2 percent within a two-week period.

Islamic banks can also enjoy flexible liquidity management as BI has cut their averaging GWM to 2 percent for both rupiah and foreign-denominated third-party funds, from the previous 5 percent set in a fixed manner on a daily basis.

Conventional banks can start implementing the new averaging GWM rule for rupiah-denominated third-party funds on July 16, and foreign-denominated third-party funds on Oct. 1.

Islamic banks are expected to implement the new rule for both on Oct. 1.

However, Dody said it was up to the banks whether they wanted to take the opportunity to boost their loan disbursement upon having more flexibility.

"If a bank's treasury [director] utilizes the new rule, there would be room for the bank to gain additional returns. If the bank is conservative, the additional room may be left unused," he said.

While acknowledging that the new provision would grant banks more room to manage their liquidity, OCBC NISP president director Parwati Surjaudaja could not decide whether it could help further boost loan growth.

"Just like [BI's] policy rate, it does not necessarily mean that a lower rate will lead to more loan growth. That also applies to liquidity, which is not the main issue of loan growth at the moment," she said.

BI has projected that loans will expand between 10 percent and 12 percent this year, higher than 8.2 percent realized in 2017.

BI also issued on Thursday two regulations called Intermediary Macroprudential Ratio (RIM) and Macroprudential Liquidity Buffer (PLM), which are expected to help banks further sharpen liquidity and loan management.

At the same time, the PLM rule will play a role in mitigating liquidity risks by allowing banks to sell 2 percent of their owned securities assets when they need more funds.

"We hope RIM will boost banks' loan to the real sector, because securities that can be included in the component are only high-quality, investment-grade corporate securities," said Filianingsih Hendarta, BI's department head of macroprudential policy.

However, only rupiah-denominated sovereign securities can be sold to BI as part of the PLM rule, she added.

Apr. 6. 2018
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PROSPERITY GAP

RI economy suffers from corporatocracy: Economist

The Jakarta Post
JAKARTA

Indonesia's economy has betrayed the Constitution and shifted toward full capitalism, resulting in a widening gap between the haves and the have-nots, according to an economist.

Anthony Budiawan, managing director of Political Economy and Policy Studies, said during a seminar on Thursday that by any measures, Indonesia's economy was far from the objectives of social justice as mandated by the country's Pancasila ideology and the 1945 Constitution.

Quoting various sources, Anthony said Indonesia was one of the worst countries in the world in terms of inequality, and that one percent of the population controlled almost 50 percent of the country's total wealth.

Official data show that the number of poor people stands at 26.58 million people, or 10.12 percent of the population.

However, using the World Bank income level of US$3.1 per day as the minimum standard, the number of poor people would jump to 93 million, or 36 percent of the total population. Their combined income accounts for less than 10 percent of the country's GDP.

Antony added that Indonesia's inequality was worsening because the country had become a corporatocracy, as public policy had been coopted by corporate interests.

As an indication, he said, many of the president's economic advisors, both during the presidency of Susilo Bambang Yudhoyono and current President Joko "Jokowi" Widodo, are members of the business community.

"By any measures, our economy is far from a Pancasila economy. We are moving toward the right, to liberal capitalism, with economic resources controlled by a small group of people," Anthony told a seminar on Pancasila economy, hosted by NU Circle together with the Agency for Pancasila Ideology Education (BPIP).

BPIP chairman Yudi Latif said it was not too late to redefine the economy based on the Pancasila ideology. Yudi also called on economists and scholars to define Pancasila economy, and if necessary suggest affirmative action to correct the current situation.

"However, the affirmative action must not be based on ethnic lines or religious lines. It must be to help the weak, the have nots, whatever their ethnicity, whatever their religion," Yudi said.

Yudi said Pancasila had proven to be the uniting factor for pluralistic Indonesia.

Nahdlatul Ulama consultative council member Masdar Farid Mas'udi suggested that NU supported the Pancasila economy. He said the fifth pillar of Pancasila was about social justice and was in line with Islamic teaching.

"There is not a single word in the holy Quran or the hadith of Prophet Muhammad that mentions an Islamic state. What we found is that if we have to govern, we have to govern justly," he said. "So the key here is justice."

Masdar suggested that the government improve its taxation as a mechanism to achieve social justice.

Responding to Masdar, Anthony said Indonesia's taxation system was far from achieving justice. For example, the final tax imposed on various products and services does not discriminate between those who have the capacity to pay taxes and those who do not.

Another example is the 10 percent dividend tax, which is also against the principles of justice. "It is safe to say that those who have shares in companies are rich people or people with the ability to pay taxes. And 10 percent is against the principle of progressive taxation."

Apr. 6. 2018
J.Post

Reform key to food imports, BPK says

Anton Hermansyah
THE JAKARTA POST/JAKARTA

> BPK finds nine irregularities related to food imports
>
> It advises use of online platform for import permits

The Supreme Audit Agency (BPK) has demanded that the government improve its food import management, including data collection across ministries, in a bid to avert irregularities that can result in state losses.

The move followed its report about state losses totaling Rp 224 trillion (US$15.68 billion), stemming from irregularities found in its audit of government institutions, regional administrations as well as state-owned and provincial-owned enterprises from 2005 to 2017.

Previously, the agency warned the government of potential losses worth Rp 303.63 trillion caused by irregularities during that period, and issued 476,614 recommendations.

As the audited entities have followed 348,819 recommendations related to a wide range of issues, including universal health care and food imports, around Rp 79.35 trillion has been returned to the state coffer, but the majority remains unreturned.

In its report, the agency pointed out nine irregularities pertaining to food imports, mostly due to the absence of centralized data held by the Trade Ministry and other relevant ministries such as the Agriculture Ministry, Industry Ministry as well as the Maritime Affairs and Fisheries Ministry. One of the findings is that the allocation of refined sugar, rice, live cattle and beef imports was not in line with domestic demand and production, among other things.

BPK chairman Moermahadi Soerja Djanegara said different data provided by different ministries created a problem for the government to make decisions about imports.

"Our recommendation is to repair the system. Ministries must have the same data," he said after submitting the BPK's audit and recommendations across a number of entities in the second half of 2017 to President Joko "Jokowi" Widodo at the State Palace.

The salt import case that started early this year may become an apt illustration of the problem.

Early this year, the Maritime Affairs and Fisheries Ministry gave the nod to import 2.17 million tons of industrial salt, as it expects the production to reach 1.5 million tons this year. However, based on a limited coordinating meeting, the Office of the Coordinating Economic Minister announced the domestic industry would need 3.7 million tons of industrial salt in 2018.

After a further compromise, the Trade Ministry jacked up the quota recommended by the Maritime Affairs and Fisheries Ministry to 2.37 million tons and gave import permits to 21 companies.

However, the domestic industry, especially the food and beverage and the pharmaceutical industry, struggled with a shortage of industrial salt in early March, forcing a halt in production.

Unlike table salt consumed by households, industrial salt has a higher quality and greater content of sodium chloride, and local salt manufacturers cannot fully meet the demand, making the users depend heavily on imports.

Amid the escalating tension over the salt import issue, the government issued Government Regulation No. 9/2018, which transfers the authority over industrial salt importation from the Maritime Affairs and Fisheries Ministry to the Industry Ministry.

Moermahadi further advised the related ministries in charge of food imports to synchronize their data using the Trade Ministry's online platform for import permits, INATRADE. With the system, import permits are issued only if the data already match.

In response to the issue, Coordinating Economic Minister Darmin Nasution said he would distribute the BPK's findings to the related ministries so that they could take follow-up actions.

"All findings and recommendations will be handed over to related ministries and institutions to be followed up and solved if we can still work on it," he said.

Darmin added that his office had asked the Central Statistics Agency (BPS) to improve data collection, especially that of food.

Apr. 6. 2018
J. Post

OIL AND GAS

Gross split contractors to enjoy more benefits

Viriya P. Singgih
THE JAKARTA POST/JAKARTA

The government has pledged to provide upstream oil and gas contractors operating under the gross split mechanism with red-carpet treatment as part of its concerted effort to boost Indonesia's petroleum production and reserves.

Introduced early last year, the gross split scheme applied through a production sharing contract (PSCs) basically requires investors to pay exploration and production costs in an upstream block themselves instead of relying on a reimbursement from the government, as was seen under the previous cost recovery scheme.

As of today, the new mechanism has only been fully implemented in the Offshore Northwest Java (ONWJ) block operated by PT Pertamina Hulu Energi (PHE), a subsidiary of state-owned energy giant Pertamina. However, others will likely soon follow suit.

On Thursday, United Arab Emirates-based Mubadala Petroleum and a consortium comprising United Kingdom-based Premier Oil Far East, Mubadala Petroleum and Singapore-based Kris Energy signed the PSCs under the new scheme to develop the Andaman I and Andaman II blocks in offshore Aceh, respectively.

Speaking to executives of the companies, Deputy Energy and Mineral Resources Minister Arcandra Tahar vowed to give them maximum support in their operation.

"We promise to help you as much as possible because we are in the same boat. If you have any problems, let's solve them together as your success is our success," Arcandra said after the signing of the contracts.

In addition to the Andaman I and Andaman II blocks, the ministry is set to sign another two contracts with PT Saka Energi Indonesia, a subsidiary of state-owned gas distributor PT Perusahaan Gas Negara (PGN), for the development of the Pekawai block in East Kalimantan and the West Yamdena block in Maluku.

The former will also secure a similar deal with local firm PT Tansri Madjid Energi to develop the Merak-Lampung block across Lampung and Banten provinces.

These five blocks were part of 15 working areas the ministry offered through an auction last year.

"Saka is unable to sign the PSCs for the Pekawai and West Yamdena blocks today because they have yet to agree with some clauses. We will soon discuss this matter once again with the company," said the ministry's oil and gas director general Djoko Siswanto.

He added that Tansri Madjid was unable to seal the contract because it had yet to deposit 10 percent of its total firm commitment to the government as the performance bond, which is expected to guarantee the realization of its investment in the Merak-Lampung block over a three-year period.

The Upstream Oil and Gas Regulatory Special Task Force (SKKMigas) has calculated that the number of upstream blocks operated under the gross-split mechanism will gradually increase from only one last year to 37 in 2027. The estimation only takes into account the existing 86 blocks in the country at present.

Consequently, by including five new blocks that will be managed by the winners of last year's auction, the number of blocks operated under the scheme will reach 42 in 2027. Furthermore, the ministry has also offered another 26 blocks in this year's auction.

"The gross-split scheme will play a big role in the future, especially considering the expiry of the contracts for existing blocks [in the next decade]," SKKMigas head Amien Sunaryadi said.

Based on the SKKMigas' assessment, the implementation of the gross-split scheme in the ONWJ since 2017 has also led to an increase in investment spending in the block.

PHE's realized capital expenditure and operating expenses fell from US$908 million in 2014 to $322 million in 2016. The figure is expected to soar to $513 million in 2018 from only $347 million last year.

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KPU may ban former graft convicts from elections

Kharishar Kahfi and
Nurul Fitri Ramadhani
THE JAKARTA POST/JAKARTA

144 lawmakers, councillors named graft suspects from 2007-2017

Politicians oppose plan, citing Elections Law

In response to concerns raised over the growing number of arrests of legislative council members, the General Elections Commission (KPU) has laid out a plan to issue a new regulation banning former graft convicts from running in future elections.

"The restriction is based on Law No. 28/1999 on good governance," KPU commissioner Ilham Saputra said during a public discussion on the regulation on Thursday.

The plan came following the Corruption Eradication Commission's (KPK) aggressive string of arrests of councillors implicated in corruption cases.

Earlier this week, the antigraft body named 38 former and current North Sumatra Legislative Council members as graft suspects for allegedly accepting bribes from Gatot Pujo Nugroho, the former governor of North Sumatra, in a provincial budget deliberation.

A few weeks earlier, the KPK named 18 Malang councillors as suspects in a bribery case related to the city's budget deliberation for 2015.

According to the KPK, 144 legislative members — House lawmakers and regional councillors — were named graft suspects between 2007 and 2017.

Indonesia Corruption Watch (ICW) researcher Donal Fariz lauded the plan. However, he suggested that the restriction be applied to political parties instead of candidates.

"It should become the responsibility of political parties to look for candidates with integrity and other good qualities."

The plan has been met with resistance from various parties who questioned its legitimacy, as a KPU regulation cannot overrule the Elections Law, which already has a similar clause.

The law, however, allows certain former convicts to run for office after serving their sentence.

Under the 2017 Elections Law, former convicts who were sentenced to a maximum of five years in prison remain eligible to register as legislative candidates, as long as they publicly announce their legal status.

Taufik Kurniawan, deputy chairman of the National Mandate Party (PAN) and House deputy speaker, opposed the KPU's plan, worrying that it might trigger conflicting interpretations.

Democratic Party politician Andi Nurpati argued that the restriction denied the former convicts' political rights as a citizen to be elected into a government office.

While the KPU has been persistent in advancing the restriction, the plan still has a long way to go before it is finally signed and introduced into a regulation. The election commission must first discuss the regulation with the House and government in a consultation meeting, slated for Monday.

Titi Anggraini, director of the Association for Elections and Democracy (Perludem), said the restriction might have a chance to be enforced if the Elections Law was revised.

"Both [a revision of the Elections Law and deliberation of the new regulation] should be conducted simultaneously. While the KPU is preparing the new regulation, politicians at the House should initiate a limited revision to the law," she said.

The KPU also introduced the idea of requiring legislative candidates to report their wealth under the official wealth report (LHKPN) mechanism.

KPU chairman Arief Budiman said that such mechanisms had already been applied to elections for local leaders. However, the idea might pose another challenge, because the scheme only applies to state officials, while not every legislative candidate — or even candidate for local leadership — is a state official.

Home Ministry spokesman Arief M. Edie said: "We will abide by the prevailing regulation, because it is within the KPU's jurisdiction".

Apr. 6. 2018
T. Post

TRAFFIC

Odd-even policy to be extended to Jagorawi, Tangerang

Fachrul Sidiq
THE JAKARTA POST/JAKARTA

The Greater Jakarta Transportation Body (BPTJ) is determined to extend the odd-even license plate policy to a Jagorawi tollgate and two tollgates in Tangerang, Banten, following the implementation of the policy at Jakarta-Cikampek toll-road gates in Bekasi, West Java.

The need for the policy is more urgent than ever, the BPTJ says, as the volume capacity (VC) ratio on the two toll roads that connect with Jakarta is at a worrying level.

The ratio currently stands at above 1, meaning that traffic volume is excessive. A ratio of 1 indicates a road's designated capacity.

"We need to do something about the worsening traffic in the capital. Besides, we have also been instructed to ease the capital's congestion prior to the commencement of the Asian Games, on which our pride is at stake," BPTJ head Bambang Prihartono said during a press briefing on Thursday.

For Jagorawi, the policy will be implemented from 6 to 9 a.m. on weekdays at the Cibubur 2 tollgate, where 7,799 cars on average enter the gate during these busy morning hours. Meanwhile in Tangerang, a similar policy will be applied at the Kunciran 2 and Tangerang 2 tollgates, where 3,367 and 3,025 vehicles, respectively, pass through between these times.

"We are now preparing to issue a ministerial regulation to back up the policy as well as preparing all other requirements," Bambang added, referring to the Transportation Ministry, which oversees his agency.

The trial period will begin on April 16 and will last for two weeks before the implementation of the policy. It is expected that by the beginning of May the policy will be fully enacted.

The policy stipulates that a car whose license plate ends in an odd number will only be allowed to enter the gates on an odd-number date and vice-versa. The BPTJ has prepared a dedicated lane for buses, which is intended to cater to motorists looking to shift to public transportation when commuting to the capital.

The BPTJ says the implementation of the policy in Bekasi has eased congestion on the crucial toll road, which connects Jakarta to industrial areas in Cikarang and Cikampek, both in West Java. Before the policy's implementation, the VC ratio stood at 1.05. Three weeks after it was introduced, the ratio has improved to 0.48.

Vehicles on the Cikampek toll road now move at 35.6 kilometers per hour, up from the previous 23.1 km per hour.

On average, 8,205 vehicles entered the West and East Bekasi tollgates during the morning peak before the implementation, this figure has decreased to 5,146 now. The BPTJ also reports an increase in the number of people using public transportation such as the commuter line and the Transjabodetabek premium service, which is specifically designed for affected motorists.

BPTJ spokesperson Budi Rahardjo said his office was cooperating with four bus operators, namely Maya Sari Bakti, Big Bird, Lorena and Sinar Jaya, to transport motorists affected by the new policy to several destinations in Jakarta.

"The services are divided into categories, regular, premium and JRConnexion. Premium services will stop at several points but the JRConnexion will not stop until its final destination in Jakarta," he said, adding that he was also working with four residential areas near Cibubur as the starting points for the buses' departures. The four housing complexes are Legenda Wisata, Citra Grand, Cibubur Country and Metland Transyogi.

He said demand from potential passengers who have expressed an interest in using public transportation would fill at least 68 buses. In a survey conducted by the BPTJ, some 30 percent of affected motorists would be willing to shift to public transportation when commuting to and from Jakarta once the odd-even policy is implemented.

For Tangerang, the BPTJ is working with four operators namely Sinar Jaya, Royal Wisata, PPD and Transjakarta. The departure locations of the bus services will be at BSD City, Summarecon Mall Serpong, Tangerang City Mall and the Transjakarta bus station.

Apr. 6. 2018
J.Post

Work on high-speed railway starts in May

JAKARTA: State-Owned Enterprises Minister Rini Soemarno has assured that the construction of the Jakarta-Bandung high speed railway project would start next month, after years of delay.

President Joko "Jokowi" Widodo led the groundbreaking ceremony for the project in Cikalong Wetan, West Java, on Jan. 21, 2016.

Rini's statement was made in Beijing after she met with representatives of the China Railway Corporation (CRC) — the parent company of PT Kereta Cepat Indonesia China (KCIC) — the company in charge of developing the project..

Rini, however, still hoped that the project construction could be accelerated to April, particularly, starting at 21 critical locations. She also expressed hope that the land acquisition could be completed in late May.

"The construction is expected to be accelerated to April so that we can see significant process," said Rini in a statement received on Thursday, adding that CRC representatives were committed to the acceleration of the project construction.

KCIC and CRC have also planned transit-oriented development (TOD) projects in Halim, East Jakarta, and Walini, in West Bandung regency, said Rini.

She added that in the grand design, Walini was planned to be developed into a new city, located on 1,270 hectares of land. *—JP*

Apr. 6. 2018
J.Post

Vale to focus on cost efficiency amid nickel price volatility

Expecting to deal with another turbulent year, major nickel miner PT Vale Indonesia is seeking to push for cost-efficiency measures and increase its production target slightly this year.

The company, listed on the bourse as INCO, believes the business outlook for this year will remain challenging as nickel prices continue to be volatile, which it attributes mainly to the government's restriction of ore exports and external economic conditions.

The price of fuel, including coal, a key component in Vale's production, will also be unpredictable, adding to the pressure on its business throughout the year.

"Energy costs represented about 30 percent of our cash costs," Vale finance director Febriany Eddy said after its annual general shareholders meeting on Wednesday.

Despite a 10 percent increase in average nickel prices in the past year, Vale posted a net loss of US$15.27 million as the costs of oil and coal jumped by 36 percent and 39 percent, respectively, on a unit cost basis. The figure compares to its net profit of $1.91 million in 2016.

Despite the significant energy costs, Vale was optimistic that its business would still have good prospects in 2018 as nickel prices already improved as of the first quarter of this year, reaching $13,000 per ton on average.

"We hope that the surge in nickel prices can offset coal and oil prices," Febriany said.

The company, a subsidiary of Brazil's mining giant Vale SA, expects to produce 77,500 tons of nickel in matte this year, up slightly from 76,807 tons last year.

In order to save costs, it plans to use coal instead of oil in its reduction kilns at its production facility in Sorowako, South Sulawesi.

"Of our five kilns, only one uses coal. This month, we will install another [coal-fired] one," she said.

Febriany said that this strategy had borne fruit as Vale was able to save $23 million last year by shifting from oil to coal.

Despite an expected continuous increase in nickel prices and its cost-efficiency measures, the government policies were likely to hamper the company's business, said Vale's president director Nico Kanter.

"The government's policy will always be a challenge for us [...] as we can see this year, permits for how many exports have been granted by the government? For more than 30 million tons [of nickel ore]," he said.

In 2017, the government relaxed the mineral export ban for, among other commodities, low-grade nickel ore with less than 1.7 percent nickel content, in exchange for miners' commitment to developing new smelters.

According to Vale, this policy could increase supply in overseas markets, such as China, and push down nickel prices. It also reduces the incentives for investors to build smelters in Indonesia because the ore supply in the global market will be abundant.

Vale has allocated a capital expenditure (capex) of $95 million for this year, much higher than $68 million it spent in the past year. It will rely on its internal cash to meet this year's capex.

Most of it will be used for business development, while the remaining $18 million will be targeted at periodic maintenance of production plant.

During its annual general shareholders' meeting, Vale's shareholders accepted the appointment of Eduardo Bartolomeo as its president commissioner. The composition of its board of directors remained the same.

Considering the company's bleak financial performance last year, it decided not to pay out dividends this year.

—JP/ Winny Tang