

02-02-2026

Investment law and realized investment in Indonesia: An empirical legal analysis of regulatory reform, institutional quality, and capital formation in 2019-2025

Radha Aulia Putri

To cite this article: Putri, R. A. (2026). Investment law and realized investment in Indonesia: An empirical legal analysis of regulatory reform, institutional quality, and capital formation in 2019-2025. *Health Economics Insights Journal*, 1(1), 30–47.

<https://journal.privietlab.org/index.php/IJLGR/article/view/1887>

To link to this article: <https://journal.privietlab.org/index.php/IJLGR/article/view/1887>



Follow this and additional works at: <https://journal.privietlab.org/index.php/IJLGR>
Indonesian Journal of Law, Governance, and Regulation is licensed under a Creative Commons Attribution 4.0 International License.

This IJLGR: Original Article is brought to you for free and open access by Privietlab. It has been accepted for inclusion in Health Economics Insights Journal by an authorized editor of Privietlab Journals

Full Terms & Conditions of access and use are available at: <https://journal.privietlab.org/index.php/IJLGR/about>

Investment law and realized investment in Indonesia: An empirical legal analysis of regulatory reform, institutional quality, and capital formation in 2019-2025

Radha Aulia Putri

Universitas Lampung, Jl. Prof. Dr. Ir. Sumantri Brojonegoro No.1, Gedong Meneng, Kec. Rajabasa, Kota Bandar Lampung, Lampung 35141, Indonesia
email: radhaaulia42@gmail.com

Received 28 November 2025
Revised 19 January 2026
Accepted 2 February 2026

ABSTRACT

Indonesia has repeatedly redesigned its investment laws to convert regulatory reforms into capital formation, industrial upgrading, and employment creation. This study examines whether the contemporary regime of capital investment law is consistent with observed empirical outcomes in 2019-2025. Using an empirical legal method, it triangulates public legal instruments, Badan Koordinasi Penanaman Modal (BKPM) realized investment statistics, United Nations Conference on Trade and Development Foreign Direct Investment (UNCTAD FDI) data, and institutional indicators from the World Bank and World Justice Project. The legal framework is anchored in Law No. 25 of 2007 on Capital Investment, the Job Creation Framework, Government Regulation No. 5 of 2021 on risk-based business licensing, and Presidential Regulation No. 10 of 2021 on investment business fields. The data show a record realized direct investment of Rp1,714.2 trillion in 2024 and Rp1,931.2 trillion in 2025. Foreign investment remained important, but domestic investment became a larger contributor in 2025. UNCTAD data show FDI inflows of US\$24.212 billion in 2024, recovering from 2023 but remaining below the 2022 peak value. The study concludes that Indonesian investment law is more facilitative; however, high-quality investment still depends on implementation certainty, regional coordination, environmental due process, dispute prevention, and credible enforcement.

Keywords: Indonesia; investment law; foreign direct investment; job creation law; risk-based licensing; legal certainty; empirical legal studies

priviet lab.
RESEARCH & PUBLISHING



1. INTRODUCTION

Investment law is often presented as a technical field concerned with permits, lists of open and closed sectors, incentives, and dispute settlements. In Indonesia, however, investment law is also a constitutional, administrative, developmental, and political-economic field. Capital investment operates under the broader mandate that natural resources and strategic sectors must be used for the greatest prosperity of the people, while the state simultaneously seeks private capital, foreign technology, export capability, employment, and tax revenue. This dual character explains why Indonesian investment law has rarely been static or stable. From the post-New Order reform period to the Job Creation reforms, the government has used legal change to signal that Indonesia is open for business, while continuing to preserve regulatory space over land, resources, labor, environment, and strategic sectors (Butt & Lindsey, 2008; Lindblad, 2015; Price, 2017).

The most important formal legal anchor is Law No. 25 of 2007 on Capital Investment (Government of Indonesia, 2007), which defines investment as all forms of investing activities by domestic and foreign investors in the territory of Indonesia. The same law distinguishes domestic investment or *Penanaman Modal Dalam Negeri* (PMDN) from foreign investment or *Penanaman Modal Asing* (PMA), including investments made with wholly foreign capital or in partnership with domestic investors. This distinction remains empirically important because Indonesia's official investment realization data reports PMDN and PMA separately. The second legal anchor is the Job Creation reform package, now consolidated in Law No. 6 of 2023 (Government of Indonesia, 2023), which seeks to simplify business licensing, reduce overlapping authority, and integrate permits through the Online Single Submission (OSS) system. Government Regulation No. 5 of 2021 (Government of Indonesia, 2021a) then operationalizes risk-based business licensing: activities with lower risk are expected to face simpler licensing requirements, while higher-risk activities remain subject to stricter controls and supervision.

The third anchor is Indonesia's move from a negative-list investment model to a positive-list approach. Presidential Regulation No. 10 of 2021 identifies priority business fields, fields allocated or reserved for cooperation with cooperatives and micro, small, and medium enterprises, fields with certain requirements, and other fields that are generally open (Government of Indonesia, 2021b). The positive list was intended to clarify access and improve predictability, particularly after longstanding criticism that sectoral restrictions, ministerial regulations, and regional implementation could dilute national liberalization. Organisation for Economic Co-operation and Development (OECD) analyses of investment restrictiveness and legal-regulatory barriers have repeatedly emphasized that Indonesia has liberalized many sectors but still faces barriers that matter for quality infrastructure and long-horizon investors (OECD, 2025a; OECD, 2025b).

This study asks a direct empirical legal question: How has Indonesia's investment law framework corresponded with realized investment outcomes, and which legal-institutional constraints remain visible in open data? The term corresponded is deliberately used. This study does not claim that a single statute causes a specific investment value. Investment is shaped by global interest rates, commodity prices, exchange rates, geopolitics, infrastructure, domestic demand, industrial policy, and firm-level strategies. Nonetheless, investment law matters because it structures entry, licensing, ownership, risk allocation, incentives, enforcement, dispute prevention, and exit issues. In the language of institutional economics, law is part of the governance infrastructure that reduces or increases transaction costs (Bénassy-Quéré et al., 2007; Busse & Hefeker, 2007; Daude & Stein, 2007; Globerman & Shapiro, 2003).

The argument is as follows. First, Indonesia's investment law has become more facilitative in formal terms in recent years. It has simplified licensing categories, expanded the number of business fields open to foreign capital, and centralized processes through the OSS. Second, empirical outcomes show substantial realized investment growth, especially in 2024 and 2025, suggesting that the legal regime is at least compatible with increased capital formation. Third, the quality of the investment produced by this regime is inconsistent. Capital is concentrated in particular provinces, sectors, and foreign-source countries; downstreaming is large but heavily resource-based; and institutional indicators still reveal concerns about corruption, civil justice, criminal justice, regulatory quality, and implementation. Fourth,

the next stage of Indonesian investment law should focus less on announcing new reforms and more on the enforceability, transparency, and local consistency of the existing rules.

The contribution of the paper is threefold. It provides a legal map of the Indonesian investment regime following the Job Creation reforms. It integrates real, freely accessible empirical data from Badan Koordinasi Penanaman Modal (BKPM) (BKPM, 2025a; BKPM, 2025b; BKPM, 2026; United Nations Conference on Trade and Development (2025a), United Nations Conference on Trade and Development (2025b), the World Bank (2025), the World Bank (2026), the World Justice Project (2025), and the World Intellectual Property Organization (2024). Finally, it translates the data into legal policy implications for licensing, regional coordination, downstreaming, environmental safeguards, and investor protection. This paper is written for an academic audience but is also intended to be useful for policymakers and business-management researchers who need to understand how legal reform interacts with investment behavior.

2. LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

The literature on investment law and Foreign Direct Investment (FDI) generally agrees that investors do not respond only to statutory openness. They also evaluate institutional quality, administrative capacity, dispute resolution, and the credibility of policy commitments. Dunning's (1988) eclectic paradigm explains international production through ownership, location, and internalization advantage. Law affects the location component because it shapes market access, asset protection, labor relations, land availability, tax treatment, and the predictability of public authority. Empirical cross-country research also shows that political risk and institutional quality are associated with FDI flows (Bénassy-Quéré et al., 2007; Busse & Hefeker, 2007; Daude & Stein, 2007). In practical terms, a formally liberal investment regime may still underperform if investors expect licensing uncertainty, weak contract enforcement, corruption, or unpredictable changes in the sectoral rules.

Indonesia's investment law discourse has a long historical dimension. Lindblad (2015) shows that foreign direct investment in Indonesia has been debated for decades, moving between nationalism, developmentalism, liberalization, and suspicion of foreign control. This history matters because contemporary law reform is interpreted through memories of resource extraction, state-led development, and crisis recovery. Constitutional constraints are also important. Butt and Lindsey (2008) demonstrate that Article 33 of the Constitution can influence economic reform when the Constitutional Court is asked to review market-oriented legislation. Consequently, investment law is not only a matter of technocratic simplification; it is embedded in a constitutional economy that treats certain sectors as public-interest fields requiring stronger state authority.

The second body of literature focuses on decentralization and administrative fragmentation. Indonesia's post-1998 decentralization gave local governments broader authority, but it also produced legal disorder through the proliferation of local regulations, fees, and licensing requirements (Butt, 2010). For investors, decentralization can be beneficial when local governments compete to improve services; however, it can be harmful when local rules conflict with central commitments. Investment law must therefore manage not only the relationship between foreign investors and the national state, but also the relationship among central ministries, provincial governments, district governments, land agencies, environmental agencies, and sectoral regulators. The OSS system and risk-based licensing are best understood as legal instruments designed to reduce fragmentation.

A third body of research studies Indonesia's bilateral and regional investment treaties. Price (2017) argues that Indonesia's bold strategy on bilateral investment treaties reflects an effort to rebalance investor protection and regulatory space. Losari (2016) examines the interaction between ASEAN investment obligations and Indonesia's bilateral investment treaties, while Hsieh (2023) situates new Asian investment rulemaking between regionalism and domestication. Crockett (2021) emphasized the tension between investment agreements and regulatory space in Indonesia. This treaty literature is relevant even when a paper focuses on domestic law because foreign investors view entry rules, domestic permits, and international protection as part of a single risk environment.

The fourth study examines Indonesia's Job Creation reforms. Hadi et al. (2023) provide a sustainability-oriented review of the Job Creation Law and note that the reform was designed to promote investment by simplifying licensing but raised concerns about environmental and administrative safeguards. Widyarningsih (2020) similarly warns that omnibus legislation may represent a setback for environmental law if simplification weakens participation and accountability. Suroso et al. (2024) evaluate the simplification of licensing under the Job Creation Law and ask whether it effectively attracts foreign investors. Putro (2021) discusses the establishment of omnibus law as an attempt to solve investment issues. The common lesson is that legal simplification can reduce transaction costs, but it must be balanced against legality, participation, transparency, and supervision.

The economic literature on Indonesia's FDI outcomes is important. Arnold and Javorcik (2009) found evidence linking foreign acquisition to plant productivity in Indonesia, while Blalock and Gertler (2008) documented welfare gains through technology transfer to local suppliers. Lipsey and Sjöholm (2004) connected foreign direct investment with education and wages in Indonesian manufacturing. Takii (2005) examined productivity spillovers from foreign multinational plants, and Sari et al. (2016) assessed productivity spillovers using Indonesian manufacturing data. More recent research by Sugiharti et al. (2022) examines spillovers on efficiency and productivity, and Budiono and Purba (2023) use provincial panel data to identify factors affecting FDI flows during the COVID-19 era. These studies show why investment law should not be evaluated only by how much capital enters but also by whether investment generates productivity, skills, supplier development, and innovation.

This study uses a legal-institutional conceptual framework. Investment law is treated as an institutional system with four functions. The first function is access: rules determine which investors can enter which sectors, under what ownership conditions, and through which licenses are required. The second function is protection: the law provides assurances against arbitrary treatment, unlawful expropriation, and unfair administrative action. The third function is coordination: law organizes the relationship among central, local, and sectoral authorities. The fourth function is discipline: law imposes labor, tax, environmental, competition, land, and reporting obligations on businesses. A high-performing investment law regime must perform all four functions simultaneously. If access is liberalized without protection, investors will face uncertainty. If protection is strong without discipline, investments may cause social and environmental harm. If coordination fails, even good national rules can be undermined.

3. METHODOLOGY

This study employs an empirical legal research design. It combines a doctrinal analysis of investment law with a descriptive analysis of public investment and governance data. The doctrinal component identifies the operative legal framework: Law No. 25 of 2007 on Capital Investment (Government of Indonesia, 2007); Law No. 6 of 2023 on the Job Creation framework (Government of Indonesia, 2023); Law No. 5 of 2021 on risk-based business licensing (Government of Indonesia, 2021a); Presidential Regulation No. 10 of 2021 and related amendments on investment business fields (Government of Indonesia, 2021b); and relevant scholarship on the constitutional, treaty, and administrative dimensions of Indonesian investment regulation. The empirical component uses open datasets that can be accessed freely: BPKM realized investment data and performance reports (BKPM, 2025a; BKPM, 2025b; BKPM, 2026); United Nations Conference on Trade and Development (2025a); United Nations Conference on Trade and Development (2025b) on World Investment Report annex tables; World Bank data (2026) on FDI net inflows and governance; World Justice Project (2025) rule-of-law indicators; and selected OECD (2025a), OECD (2025b), and World Intellectual Property Organization (2024) on Global Innovation Index data.

The primary unit of analysis for domestic realized investment is BKPM's investment realization data (BKPM, 2025a; BKPM, 2025b; BKPM, 2026). BKPM data are based on investment activity reports submitted by PMA and PMDN companies (BKPM, 2025a; BKPM, 2025b; BKPM, 2026). The data are highly relevant to investment law because the reporting units correspond to domestic legal categories of foreign and domestic investment. However, the BKPM data must be interpreted carefully. The 2024

investment realization data exclude upstream oil and gas, banking, nonbank financial institutions, insurance, leasing, household investment, and micro and small enterprises. They also use an official exchange rate assumption when reporting foreign investment values in rupiah. These exclusions mean that BKPM data capture realized direct investment under the reporting system, not the entire universe of capital formation in Indonesia.

The international comparison component uses the UNCTAD balance-of-payments FDI data. These data are not identical to the BKPM's realized investment statistics (BKPM, 2025a; BKPM, 2025b; BKPM, 2026). UNCTAD data are presented in U.S. dollars and follow international statistical conventions for FDI inflows and outflows, while BKPM reports realized investment projects in rupiah and by administrative categories such as sector, location, and country of origin. This difference is not a weakness but analytically useful. BKPM data help explain the domestic legal-administrative structure of investment, while UNCTAD data show Indonesia's position in international capital flows (BKPM, 2025a; BKPM, 2025b; BKPM, 2026). Where the two sources differ, this study treats them as different measurement systems rather than contradictory evidence.

The institutional-quality component uses the World Justice Project, World Bank Worldwide Governance Indicators, and Global Innovation Index. These indicators do not directly measure investment law, but they are relevant proxies for the environment in which investment law is implemented. Rule-of-law rankings, regulatory quality, government effectiveness, and corruption indicators help evaluate whether formal simplification is matched by a credible administration. The analysis was descriptive and interpretive. Regression analysis was not conducted because the objective was to build a legally grounded empirical profile rather than estimate causal coefficients. Therefore, this study avoids claims such as the Job Creation Law causing a particular investment increase. Instead, it assesses the consistency between legal reforms, observed investment outcomes, and institutional constraints.

The tables in the results section were constructed using public-source values. Growth rates were calculated as year-on-year percentage changes. Shares were taken from officially reported percentages where available or calculated from published values when the denominator was clear. All values were rounded to maintain consistency with the source reporting. The tables are placed in the body of the paper because the legal argument depends on the empirical pattern: Indonesian investment law must be assessed not only by textual reform but also by where capital is going, who is investing, and whether legal-institutional indicators support durable-investor confidence (see Table 1).

Table 1. Open Empirical and Legal Sources Used in the Study

Source	Variable or document used	Period	Legal relevance
BKPM/Ministry of Investment	Realized PMA, PMDN, sectors, provinces, source countries, employment, downstreaming	2024-2025	Measures investment outcomes under Indonesian reporting and licensing categories
UNCTAD	FDI inflows and outflows, balance-of-payments basis	2019-2024	Places Indonesia in international capital-flow context
World Bank/WGI	FDI as percentage of GDP, regulatory quality, government effectiveness	2024/latest available	Approximates institutional conditions for implementation
World Justice Project	Overall and factor rankings for rule of law	2025	Indicates enforcement and justice-system constraints affecting legal certainty
Indonesian legal instruments	Law No. 25/2007, Law No. 6/2023, GR No. 5/2021, PR No. 10/2021	Current framework	Defines access, licensing, reporting, and investment-field rules
Peer-reviewed literature	Investment law, treaties, decentralization, FDI spillovers, Job Creation reform	1988-2025	Provides Scopus/WoS-indexed theoretical and empirical context

Note:

All sources were publicly accessible. BKPM realized investment data exclude upstream oil and gas, banking, non-bank finance, insurance, leasing, household investment, and micro and small enterprises. GR = Government Regulation; PR = Presidential Regulation.

4. RESULTS AND DISCUSSION

4.1. Results

4.1.1. Trends in International FDI Flows

UNCTAD data show that Indonesia's FDI inflows fluctuated rather than increasing linearly. Inflows were US\$23.883 billion in 2019, declined to US\$18.591 billion in 2020 during the pandemic shock, recovered to US\$21.131 billion in 2021, and reached US\$25.390 billion in 2022, respectively. They then fell to US\$21.497 billion in 2023 before rising again to US\$24.212 billion in 2024. The 2024 recovery is significant because it occurred in a global environment in which investment flows were volatile and competition for capital intensified. Nevertheless, the 2024 value did not exceed the 2022 peak, which cautions against interpreting legal reform as producing a permanent upward trajectory.

Indonesia's FDI outflows have increased more sharply than its inflows. Outflows increased from US\$3.352 billion in 2019 to US\$9.703 billion in 2024. This pattern indicates that Indonesian firms and investors are increasingly participating in outward investments. Regarding investment law, Indonesia should not be understood only as a host state seeking foreign capital. It is also becoming a home state for investors who may need legal protection, financing support and treaty frameworks abroad. Therefore, domestic investment law, outward investment policy, and international investment agreements interact more closely than in earlier periods.

Table 2. Indonesia FDI Inflows and Outflows, 2019-2024 (US\$ Million)

Year	FDI inflows	Inflows growth	FDI outflows	Outflows growth
2019	23,883	n/a	3,352	n/a
2020	18,591	-22.2%	4,448	32.7%
2021	21,131	13.7%	3,845	-13.6%
2022	25,390	20.2%	7,323	90.5%
2023	21,497	-15.3%	7,080	-3.3%
2024	24,212	12.6%	9,703	37.0%

Note:

Values are from the UNCTAD World Investment Report 2025 annex tables. Growth rates were calculated by the authors from the reported values. n/a = not applicable for the first year of the series.

The legal significance of [Table 2](#) is that international FDI flows are sensitive to factors beyond domestic legal reforms. The 2020 decline is consistent with pandemic disruption, the 2022 peak is consistent with global commodity and post-pandemic recovery conditions, and the 2023 decline shows that legal simplification cannot fully offset macroeconomic and geopolitical pressures. For legal analysis, this means that statutes should be evaluated as part of a larger investment climate, not as independent engines of capital inflows. A credible investment law regime should reduce avoidable legal risks so that Indonesia can compete more effectively when global conditions are favorable and remain resilient when external conditions worsen.

This trend is also important for policy design. If foreign investment inflows recover but remain volatile, Indonesia's investment law should emphasize durability: clear rights, transparent administration, reliable dispute prevention, and predictable sectoral rules. The point is not to remove all regulations. Rather, the point is to make the regulation intelligible, stable, and reviewable. The legal objective is to transform investment from opportunistic entry to long-term productive commitment.

4.1.2. Domestic Realized Investment Under BKPM Reporting

BKPM data show a strong expansion in realized direct investment ([BKPM, 2025a](#); [BKPM, 2025b](#); [BKPM, 2026](#)). In 2024, Indonesia recorded Rp1,714.2 trillion in realized investment, exceeding the presidential target of Rp1,650 trillion. PMA contributed Rp900.2 trillion, or 52.5%, whereas PMDN

contributed Rp814.0 trillion, or 47.5%. In the same year, approximately 2.456 million workers were absorbed. In 2025, the realized investment increased to Rp1,931.2 trillion, or 101.3% of the presidential target of Rp1,905.6 trillion. The composition changed: PMDN reached Rp1,030.3 trillion and became the larger component, while PMA was Rp900.9 trillion. This shift is legally important because it suggests that investment reform should not be framed exclusively to attract foreign investors. Domestic capital formation is increasingly central to Indonesia's investment law performance.

Table 3 compares the headline values. The table shows that the total investment increased by approximately 12.7% from 2024 to 2025. PMDN increased much more strongly than PMA, while PMA was almost flat in rupiah terms. This does not imply that foreign investors were uninterested in Indonesia. Rather, it suggests that foreign investment was affected by global uncertainty, exchange rate movements, and sectoral cycles, while domestic investors responded strongly to opportunities created by infrastructure, downstreaming, services, and internal demand. For legal policy, the implication is that investment law should integrate foreign and domestic investments rather than treating them as separate universes. Both categories depend on licensing clarity, land certainty, contract enforceability, tax administration, and the stability of regulations.

Table 3. Realized Direct Investment in Indonesia, 2024 and 2025

Indicator	2024	2025	Interpretive legal point
Total realized investment	Rp1,714.2 trillion	Rp1,931.2 trillion	Investment realization continued to rise after risk-based licensing reforms
PMA	Rp900.2 trillion (52.5%)	Rp900.9 trillion (46.6%)	Foreign capital remained large but did not drive most 2025 growth
PMDN	Rp814.0 trillion (47.5%)	Rp1,030.3 trillion (53.4%)	Domestic capital became the largest contributor in 2025
Target achievement	103.9% of Rp1,650 trillion target	101.3% of Rp1,905.6 trillion target	Implementation exceeded political targets in both years
Employment absorbed	2,456,130 workers	2.71 million workers	Investment law outcomes should be evaluated by employment quality as well as capital value

Note:

The 2024 values are from the BKPM 2024 performance report. The 2025 values are from BKPM's January 15, 2026, press release. PMA = foreign investment; PMDN = domestic investment.

The PMDN surge also changes the way legal certainty should be discussed. Academic and policy debates often associate legal certainty with foreign investors because they can choose among jurisdictions. However, domestic investors also delay projects when permits, land, tax treatment, or local regulations are unpredictable. Therefore, a pro-investment legal regime is not only a foreign-investor protection regime. This is a domestic economic governance regime. The investment law framework must serve Indonesian firms, joint ventures, state-owned enterprises, small and medium enterprises entering supply chains, and foreign multinationals. The PMDN results for 2025 make this broader perspective empirically necessary.

The 2024 and 2025 data provide evidence of compatibility between the reformed legal framework and higher investment realization, but the relationship is not sufficient to prove causality. Job Creation reforms, OSS, risk-based licensing, tax policy, infrastructure development, downstreaming mandates, and global commodity cycles all interact. A scientifically cautious conclusion is that the legal framework did not prevent investment growth and may have supported it by reducing formal entry and licensing friction. A stronger conclusion requires project-level data, counterfactual analysis, and firm surveys that measure actual time, cost, and uncertainty before and after the reform.

4.1.3. Spatial, Sectoral, and Country Concentration in 2024

The distribution of investment reveals the limits of the headline growth. In 2024, the five largest provinces accounted for approximately 51.8% of the total realized investment. West Java and Jakarta accounted for nearly 28.8% of the total. East Java, Central Sulawesi, and Banten followed. This pattern

combines two different investment geographies: the Java corridor, with dense infrastructure, labor, consumption, and administrative capacity, and resource-linked provinces, especially Central Sulawesi, where nickel and downstream processing have attracted large investments. Therefore, a legal framework that increases national investment can still produce uneven regional development.

The sectoral concentration is also evident. The top five subsectors in 2024 accounted for approximately half of the total realized investment. Basic metals and metal goods were the largest subsectors, followed by transport, warehousing, telecommunications, mining, housing, industrial estates, offices, and other services. The prominence of basic metals and mining demonstrates the legal and policy importance of downstreaming in the EU. Indonesia's investment law is not neutral in practice; it operates alongside export restrictions, industrial policy, tax incentives, mineral processing rules, and infrastructure development. This creates opportunities for value addition but also concentrates legal risks in sectors where environmental approvals, land acquisition, community relations, and global commodity prices are especially important (see Table 4).

Table 4. Largest Locations, Subsectors, and PMA Source Countries in 2024

Rank	Top locations by value	Top subsectors by value	Top PMA source countries
1	West Java: Rp251.1 trillion (14.7%)	Basic metals and related goods: Rp238.4 trillion (13.9%)	Singapore: US\$20.1 billion
2	DK Jakarta: Rp241.9 trillion (14.1%)	Transport, warehouse, telecommunications: Rp189.9 trillion (11.1%)	Hong Kong: US\$8.2 billion
3	East Java: Rp147.3 trillion (8.6%)	Mining: Rp184.7 trillion (10.8%)	China: US\$8.1 billion
4	Central Sulawesi: Rp139.9 trillion (8.2%)	Housing, industrial estates, offices: Rp122.9 trillion (7.2%)	Malaysia: US\$4.2 billion
5	Banten: Rp105.6 trillion (6.2%)	Other services: Rp120.8 trillion (7.0%)	United States: US\$3.7 billion

Note:

Values are from the BKPM 2024 performance report. Shares refer to the total realized investment for locations and subsectors. Source country values are PMA origin-country values.

The country-of-origin pattern also deserves a legal interpretation. Singapore is expected to remain the largest PMA source country in 2024, followed by Hong Kong, China, Malaysia, and the United States. Source country data do not necessarily reveal the ultimate beneficial owner of capital because investments may be routed through regional financial centers. However, the pattern confirms that Indonesia's foreign-investment strategy depends heavily on Asian capital networks. Therefore, investment law should be coordinated with ASEAN investment commitments, bilateral relationships, tax treaties, anti-money-laundering controls, and transparency rules on beneficial ownership.

Spatial and sectoral concentrations highlight governance challenges. If investment is concentrated in locations with strong infrastructure or resource advantages, legal reform should not only simplify national permits. It should also increase the capacity of lagging regions to process permits, manage land information, enforce environmental laws, and coordinate with central agencies. Otherwise, legal simplification may reinforce existing regional inequality: investors will move faster in regions that are already able to implement the law and will avoid regions where local regulations, land conflict, or administrative capacity remain uncertain.

4.1.4. Downstreaming as a Legal-Industrial Strategy

Indonesia's investment law is increasingly tied to downstreaming activities. BKPM reported that downstreaming-related investment reached Rp407.8 trillion in 2024, or 23.8% of total realized investment (BKPM, 2025a; BKPM, 2025b). Minerals accounted for the largest component, followed by agriculture, forestry, oil and gas, and electric vehicle ecosystems. The largest downstreaming locations were Central

Sulawesi, North Maluku, West Nusa Tenggara, Riau, and West Java. The legal issue is not whether downstreaming attracts capital; the data indicate that it does so. The deeper legal issue is how to ensure that downstreaming produces value addition without weakening environmental safeguards, labor protection, public participation, and fiscal accountability.

The downstreaming data also show why investment law cannot be separated from sectoral law. Mineral downstreaming depends on mining licenses, smelter obligations, export restrictions, electricity supply, environmental approvals, industrial estate rules, and local land governance issues. Agricultural and forestry downstreaming depends on plantation, forestry, spatial planning, and sustainability rules. Electric vehicle ecosystem investment depends on battery supply chains, energy laws, technology transfer, standards, and industrial policies. Although the risk-based licensing framework can simplify procedures, it must also ensure effective supervision of high-risk activities. Simplification without supervision creates legal vulnerability and social conflict (see [Table 5](#)).

Table 5. Downstreaming-Related Investment Realization in 2024

Category	2024 value	Share or interpretation	Legal relevance
Total downstreaming investment	Rp407.8 trillion	23.8% of total realized investment	Industrial policy became a major component of investment-law outcomes
Minerals	Rp245.2 trillion	Largest downstreaming field	Requires coordination of mining, environmental, energy, and industrial licensing
Agriculture	Rp67.1 trillion	Second-largest downstreaming field	Links investment law with land, plantation, and food-supply regulation
Forestry	Rp64.0 trillion	Third-largest downstreaming field	Requires sustainability and spatial-planning controls
Oil and gas	Rp23.1 trillion	Smaller but strategic field	Connects investment law to energy security and sectoral regulation
Electric-vehicle ecosystem	Rp8.4 trillion	Emerging field	Requires technology, standards, batteries, and clean-energy coordination

Note:

Values are from the BKPM 2024 performance report. Downstreaming is treated as an industrial policy category, not a separate legal form of investment.

The downstreaming strategy creates a legal trade-off. On one hand, it can increase bargaining power by shifting Indonesia from raw material exports toward processing, manufacturing, and supply chain participation. However, if regulatory discretion is high and environmental controls are perceived as weak, downstreaming can increase conflict and reputational risk. [Hadi et al. \(2023\)](#) and [Widyaningsih \(2020\)](#) caution that the Job Creation Framework must be assessed through sustainability and environmental law lenses. [O'Callaghan's \(2010\)](#) study of mining governance remains relevant because the regulatory architecture in extractive sectors affects investor patience and public trust. Thus, the law must make downstreaming bankable for investors and legitimate for the communities.

Therefore, a high-quality downstreaming regime should include transparent criteria for incentives, clear publication of licensing decisions, credible environmental impact assessments for high-risk activities, grievance mechanisms for affected communities, and measurable obligations for technology transfer and local supplier development. The older FDI spillover literature is relevant here: FDI can produce productivity and supplier benefits, but these benefits are not automatic ([Arnold & Javorcik, 2009](#); [Blalock & Gertler, 2008](#); [Sari et al., 2016](#)). Law should transform capital inflow into learning, labor upgrading, and domestic value creation.

4.1.5. Institutional Indicators and Legal Certainty

Legal certainty is a recurring theme in Indonesian investment discussions. It is sometimes reduced to whether a law is written clearly, but investors experience legal certainty through the entire administrative and judicial systems. A licensing rule may be clear on paper, yet uncertain if a local agency applies it

differently, if land records are contested, if environmental approvals are delayed, or if courts and regulators are perceived as inconsistent. Therefore, institutional indicators are useful, even though they do not directly measure investment law.

The [World Justice Project \(2025\)](#) ranked Indonesia 69 out of 143 countries. The factor ranks show a mixed picture: constraints on government powers and regulatory enforcement are ranked relatively higher than civil justice, criminal justice, fundamental rights, and the absence of corruption. The World Bank's 2024 governance indicators also suggest that government effectiveness and regulatory quality remain positive but not high. The Global Innovation Index 2024 reported Indonesia's rule-of-law rank at 77 and regulatory-quality rank at 60, while business environment indicators were comparatively stronger ([World Intellectual Property Organization, 2024](#)). This combination is consistent with the main claim of this study: Indonesia has improved formal business facilitation, but legal certainty still depends on enforcement quality, corruption control, judicial performance, and local implementation.

Table 6. Selected Institutional Indicators Relevant to Investment Law

Indicator	Value or rank	Year	Investment-law interpretation
World Justice Project overall rank	69 of 143 countries	2025	Indonesia remains mid-ranked globally in rule-of-law performance
World Justice Project regulatory enforcement rank	46 of 143 countries	2025	Regulatory enforcement is stronger than some justice-system factors
World Justice Project absence of corruption rank	86 of 143 countries	2025	Corruption remains a legal-risk concern for investors and communities
World Justice Project civil justice rank	93 of 143 countries	2025	Commercial and administrative disputes may face credibility constraints
World Bank FDI net inflows	1.7% of GDP	2024	FDI is meaningful but not dominant relative to the size of the economy
World Bank regulatory quality estimate	0.12	2024	Regulatory quality is positive but modest on the WGI scale
World Bank government effectiveness estimate	0.18	2024	Implementation capacity remains a key reform variable
GII rule-of-law rank	77	2024	Rule-of-law performance lags behind some business-environment indicators

Note:

The indicators were obtained from the [World Justice Project \(2025\)](#), [World Bank \(2025\)](#), [World Bank \(2026\)](#), and Global Innovation Index sources ([World Intellectual Property Organization, 2024](#)). Scores and ranks use each source's methodology and should not be combined into a single index.

[Table 6](#) supports the careful interpretation of Indonesia's investment law reforms. The problem is not that Indonesia lacks investment law. The problem is that investors and affected communities evaluate the credibility of the law through implementation. This is especially important for high-value, long-term projects in mining, energy, infrastructure, telecommunications, industrial estates, and manufacturing. Such projects require numerous public decisions over time. Therefore, legal certainty must be dynamic: investors need confidence not only when they enter but also during construction, operation, expansion, compliance, inspection, dispute resolution, and exit.

Institutional indicators also show why anti-corruption and justice sector reform are investment law reforms. If licensing is simplified but rent-seeking persists, simplification may change the location of discretion rather than reduce it or even increase it. If courts are slow or inconsistent, contract rights may be less valuable. If criminal and civil justice are weak, both investors and communities may rely on informal bargaining rather than formal remedies. Therefore, a credible investment climate requires coordinated reforms across administrative law, anti-corruption enforcement, courts, public procurement, land administration, and environmental governance.

4.2. Discussion

The empirical results support this nuanced thesis. Indonesia's investment law is more open and administratively facilitative than before the Job Creation reforms. Risk-based licensing, OSS integration, and a positive investment list have reduced the symbolic complexity of investment entry. Realized investment data for 2024 and 2025 show that the investment system can produce extremely large capital commitments. However, the same data also show that legal reforms have not eliminated concentration, sectoral dependency, or institutional risk. Therefore, a scientifically responsible evaluation must distinguish formal accessibility from substantive investment quality.

Formal accessibility concerns whether investors can identify a legal pathway to enter a sector, obtain permits, report investments, and operate. Indonesia has made visible progress in this regard. Government Regulation No. 5 of 2021 provides a risk-based framework ([Government of Indonesia, 2021a](#)). Presidential Regulation No. 10 of 2021 reorganized the investment-field structure ([Government of Indonesia, 2021b](#)). OSS provides a centralized platform rather than leaving investors entirely dependent on fragmented, manual processes. These reforms are consistent with the global best practices in business facilitation because they reduce search costs and increase procedural transparency. They also help explain why the legal environment did not prevent record investments in 2024 and 2025.

Substantive investment quality concerns a different question: whether the investment generated by the legal regime is geographically balanced, environmentally responsible, productivity-enhancing, and legally durable. The results are mixed. Large investments in basic metals, mining, transport, telecommunications, and industrial estates can support growth, infrastructure, and supply chain participation. However, these sectors also carry high legal and social risks. Mining and metal industries require strong environmental supervision and community engagement. Telecommunications and transport require competition policies, data governance, safety regulations, and infrastructure coordination. Industrial estates require land certainty and spatial planning to be successful. A legal framework that attracts capital to these sectors must also provide safeguards proportionate to their risk.

The PMA-PMDN composition is one of the most important findings of this study. In 2024, PMA was slightly larger than that of PMDN. In 2025, PMDN became the largest component by a significant margin. This pattern challenges the narrow foreign-investment narrative. Indonesia's investment law must be attractive to multinational corporations, but it must also mobilize domestic capital. Domestic investors may be more embedded in local political and administrative systems, but they still require predictability, fair competition, and enforceable rights in the host country. In addition, domestic investors can become partners, suppliers, and co-investors in foreign projects. If investment law is designed only for the foreign-investor interface, it will overlook the growing importance of domestic capital in achieving national targets.

The country-of-origin data show the continuing centrality of Singapore, Hong Kong, China, Malaysia, and the United States. This pattern has at least four legal implications for the United States. First, regional investment agreements and ASEAN commitments remain important. Second, beneficial ownership transparency matters because capital may pass through intermediate jurisdictions. Third, dispute prevention policies should be tailored to the expectations of major investor communities. Fourth, Indonesia's legal communication strategy should not only translate laws into English but also explain sectoral rules, local implementation, and compliance obligations in a way that reduces investor uncertainty. Legal transparency is not the same as legal availability; investors need rules that are accessible, consistent, and administratively actionable.

The spatial distribution of investment points to a central-local coordination problem. Java's continuing dominance reflects infrastructure, market size, labor pools, and bureaucratic capacity. Central Sulawesi's rise reflects resource-based downstreaming. Other provinces may have potential but face higher transaction costs in terms of land administration, spatial planning, local permits, and infrastructure readiness. This pattern supports [Butt's \(2010\)](#) concern about regional legal disorder and demonstrates why central reforms must be accompanied by local implementation capacity. A central law that promises simplified licensing can lose its credibility when local approvals, land status, or spatial plans remain uncertain.

The investment treaty literature adds another layer to this discussion. Indonesia has sought to preserve its regulatory space while remaining open to investment (Price, 2017). This is a rational strategy for a country with major resource, environmental, and social policy responsibilities. However, regulatory space must be exercised through predictable and lawful procedures. Investors are more likely to accept strong regulations when the rules are clear, prospective, non-arbitrary, and reviewable. Communities are more likely to accept investments when the law provides for participation, remedies, and credible environmental supervision. Thus, the correct balance is neither maximum liberalization nor maximum state discretion. The correct balance is an accountable regulatory space.

Job Creation reforms remain legally contested because simplification can be understood in two ways. In the first sense, simplification means removing duplicate permits, clarifying authority, and reducing unnecessary delays. This is desirable. In the second sense, simplification can mean weakening substantive reviews, reducing public participation, or compressing environmental safeguards. This is risky. Hadi et al. (2023) and Widyaningsih (2020) show that sustainability concerns are central to evaluating the Job Creation Law. The empirical data on downstreaming strengthen that warning: when a large share of investment is connected to minerals, forestry, agriculture, and energy, environmental legality is not a peripheral issue. This is an investment law issue.

The relationship between investment law and productivity should be emphasized. The studies by Arnold and Javorcik (2009), Blalock and Gertler (2008), Lipsey and Sjöholm (2004), Taki (2005), and Sari et al. (2016) indicate that foreign investment can generate productivity, wage, supplier, and technology benefits under certain conditions. However, spillovers are not automatic. They depend on absorptive capacity, local supplier quality, labor skills, infrastructure, and connections. Investment law can influence these conditions through incentives, reporting, local content rules, supplier development programs, and training obligations. The challenge is to design such obligations in a way that encourages upgrading without creating arbitrary barriers or hidden protectionism.

Institutional indicators identify the central bottleneck: implementation credibility. Indonesia's World Justice Project (2025) rank of 69 out of 143 is not catastrophic, but it signals that rule-of-law performance remains a constraint. The lower ranks for the absence of corruption, civil justice, and criminal justice are particularly relevant. Investors need confidence that disputes will be resolved fairly, communities need confidence that rights and environmental claims will be heard, and regulators need confidence that enforcement actions will withstand review. If these elements are weak, investment law may still attract capital, but the investment's quality and legitimacy will suffer.

The World Bank (2025), World Bank (2026), and World Intellectual Property Organization (2024) on Global Innovation Index indicators reinforce this point. Regulatory quality and government effectiveness are modestly positive, while business environment indicators are stronger than rule-of-law indicators. This suggests that Indonesia has improved the front-end experience of doing business more than the back-end experience of enforcing rights and resolving disputes. Front-end reform is necessary but insufficient. For long-horizon investments, back-end credibility is equally important. Investors considering a smelter, industrial estate, port, data center, or manufacturing plant need confidence over 10 to 30 years, not only during the initial registration.

There are also data governance implications. BKPM data are useful and increasingly transparent, but investment-law evaluation would improve if public data included more detailed information on licensing time, approval stages, regional processing variation, environmental review outcomes, project completion rates, cancellations, disputes, and realized linkages with local suppliers. The current public data show what investment was realized, where, and by whom it was realized. They do not fully show which legal frictions were resolved or which projects were delayed due to them. A more sophisticated empirical legal monitoring system would connect OSS licensing data, BKPM realization reports, land and spatial plan data, environmental approvals, and court or administrative review outcomes while respecting confidentiality.

The political economy of the targets should be considered. Indonesia's investment targets are important policy indicators. Achieving targets may motivate agencies to quickly solve bottlenecks. However, a target-driven system can create pressure to prioritize large capital values over legal quality. If

agencies are evaluated mainly by total rupiah realization, they may favor large capital-intensive projects in familiar sectors and regions. This could reduce attention to employment quality, small and medium enterprise linkages, environmental performance, and regional equity. Therefore, investment law performance indicators should be multidimensional: value, jobs, productivity, compliance, regional dispersion, dispute rates, environmental outcomes, and technology transfer.

In summary, Indonesia's investment law is at a transitional point. The first-generation reform challenge was to open sectors and simplify the procedures. The second-generation challenge is to make the system credible, accountable, and developmentally productive. Legal reforms should focus on implementation rather than slogans. This means clearer service standards, the publication of administrative decisions, reliable appeal mechanisms, anti-corruption controls, regional harmonization, risk-based supervision, and data transparency. It also means recognizing that investment law is not only about attracting capital; it is about governing the relationship between capital, state authority, communities, workers, land, resources, and future industrial capabilities.

4.3. Policy Recommendations

First, Indonesia should conduct a sector-by-sector legal certainty audit. The audit should identify the permits, approvals, spatial plan confirmations, environmental requirements, tax incentives, reporting obligations, and local government interactions required for priority sectors. The results should be published as legally authoritative guidance rather than informal frequently asked questions. This would reduce interpretive uncertainty and help investors understand the full compliance pathway before committing to capital.

Second, the OSS should be strengthened as an accountability system, not only as a submission platform. Each licensing process should include service-level standards, reasons for delays, responsible agencies, status transparency, and a clear administrative appeal route. If permits are rejected or delayed, investors should receive written reasons. This would improve legality and reduce informal negotiations. A stronger OSS accountability system would also help policymakers identify the agencies or regions that create bottlenecks.

Third, central-local harmonization should be treated as a core investment law priority. The government should regularly review local regulations affecting investment, land, retribution, spatial planning, and sectoral approvals. Where local rules contradict national law or create unnecessary barriers, the review mechanism should be transparent and procedurally just. Capacity building is also essential. Some local governments may not resist investment; they may lack the technical capacity to implement complex risk-based rules.

Fourth, downstream incentives should be conditional on measurable public benefit. Incentives for mineral, agricultural, forestry, oil and gas, and electric vehicle projects should be connected to technology transfer, supplier development, worker training, environmental compliance, and transparent tax contributions. This does not require excessive bureaucratic processes. This requires clear metrics and credible monitoring. Without such conditions, downstreaming may increase capital realization without producing broad developmental gains.

Fifth, environmental and social safeguards should be integrated into risk-based licensing rather than being treated as obstacles to investment. High-risk projects should undergo rigorous assessment, public participation, and post-licensing supervision. The purpose is not to slow down investment but to prevent legal conflicts and reputational damage. Investors benefit when environmental approvals are credible because credible approvals reduce the risk of later cancellations, protests, litigation, or financing difficulties.

Sixth, Indonesia should develop a dispute prevention strategy for investment. This should include early warning systems for regulatory disputes, mediation channels, central coordination of major projects, and transparent handling of investor grievances. Dispute prevention is more valuable than dispute victories. A government that resolves problems before arbitration or litigation protects public resources and improves investor confidence.

Seventh, data transparency should be improved. BKPM should continue publishing realized investment data, but additional public dashboards could show licensing processing times, regional performance, sectoral approval bottlenecks, investment project status, and compliance outcomes. Better data would support empirical legal research and enable reforms to target actual problems rather than perceived problems.

Eighth, investment law education should be improved for officials, judges, local governments, and investors. Indonesia's framework now combines capital investment law, risk-based licensing, sectoral law, environmental law, labor law, land law, tax law, and treaty commitments. Misunderstanding any one element can lead to costly disputes. Professional training and interpretive guidance can enhance consistency across the system (see Table 7).

Table 7. Legal Diagnosis and Policy Direction

Empirical finding	Legal risk	Policy direction
Investment realization exceeded targets in 2024 and 2025	Target focus may prioritize value over quality	Use multidimensional indicators: value, jobs, compliance, productivity, environment
PMDN became larger than PMA in 2025	Policy may overemphasize foreign investors	Design investment law for domestic and foreign capital together
Top five provinces captured more than half of 2024 realization	Regional inequality and local implementation gaps	Strengthen local capacity, spatial planning, and regulation review
Basic metals and mining were dominant sectors	High environmental and social risk	Integrate strong risk-based supervision and community remedies
Downstreaming reached Rp407.8 trillion in 2024	Capital realization may not guarantee spillovers	Tie incentives to technology transfer, suppliers, and labor upgrading
Institutional indicators show corruption and justice constraints	Legal certainty may remain weak after licensing reform	Strengthen anti-corruption, courts, dispute prevention, and administrative appeals

Note:

The diagnosis links the empirical findings from the tables with the legal policy implications. This is interpretive and does not imply that any single reform caused a specific value.

4.4. Limitations and Future Research

This study has three limitations. First, it uses public descriptive data and does not estimate the causal effects. Investment realization can be affected by many variables, including global commodity prices, exchange rates, infrastructure, political expectations, and firm strategies. Second, BKPM and UNCTAD data use different statistical bases. This study treats them as complementary rather than interchangeable. Third, the legal analysis is national in scope and does not provide a detailed province-by-province examination of local implementation. Future research should use project-level data, firm surveys, and regional case studies to evaluate whether risk-based licensing reduces the time, cost, and uncertainty.

Future studies should also examine the quality of employment generated by investment, the extent of domestic supplier linkages, the environmental performance of downstream projects, and the relationship between investment disputes and licensing stages. A mixed-methods design combining OSS administrative data, BKPM reports, interviews with investors and officials, and court or administrative dispute data would allow for a more precise evaluation. Another promising research agenda is comparative: Indonesia can be compared with Vietnam, Malaysia, the Philippines, and India to assess how different legal strategies affect investment composition and institutional credibility.

5. CONCLUSION

Indonesia's investment law has undergone substantial transformations. Law No. 25 of 2007 established the core categories of domestic and foreign investment; the Job Creation Framework and Government Regulation No. 5 of 2021 reorganized licensing around risk; and the positive investment list clarified market access. Empirical data show that this formal reform environment coincided with very

strong realized investment: Rp1,714.2 trillion in 2024 and Rp1,931.2 trillion in 2025. UNCTAD data also show that FDI inflows will recover to US\$24.212 billion in 2024 after a decline in 2023. These outcomes indicate that Indonesia remains an important investment destination and that its legal framework is broadly compatible with high levels of capital formation.

However, the evidence also shows that investment law success cannot be measured by capital value alone. PMDN became the dominant component in 2025, spatial concentration remained high, sectoral concentration was strong, downstreaming depended heavily on resource-linked industries, and rule of law indicators revealed continuing concerns. Therefore, the next stage of reform should focus on implementation credibility. Indonesia needs transparent licensing, harmonized central-local regulations, credible environmental and social safeguards, anti-corruption enforcement, effective administrative appeals, and better public data. The aim should not merely be to attract investment but to govern investment so that it produces productivity, employment, legal certainty, sustainability, and equitable development.

The central conclusion is that Indonesia's investment law has shifted from a problem of access to a problem of quality. Access has improved through liberalization and simplification of the process. Quality now depends on whether the law can transform capital inflow into durable development while preserving regulatory legitimacy. For a country with Indonesia's constitutional commitments, resource endowments, regional diversity, and development ambitions, this is the defining investment law challenge of the coming decade.

Ethical Approval

Not Applicable

Informed Consent Statement

Not Applicable

Authors' Contributions

Not Applicable

Disclosure Statement

No potential conflict of interest was reported by the author(s).

Data Availability Statement

All empirical data used in this study are derived from freely accessible public sources: BKPM and Ministry of Investment publications, UNCTAD World Investment Report annex tables, World Bank open data and Worldwide Governance Indicators, World Justice Project country profiles, OECD public reports, and the Global Innovation Index country profile. No confidential or proprietary datasets were used.

Funding

This study did not receive any external funding.

Notes on Contributors

Radha Aulia Putri

Radha Aulia Putri is affiliated with Universitas Lampung, Bandar Lampung City.

REFERENCES

- Arnold, J. M., & Javorcik, B. S. (2009). Gifted kids or pushy parents? Foreign direct investment and plant productivity in Indonesia. *Journal of International Economics*, 79(1), 42–53. <https://doi.org/10.1016/j.jinteco.2009.05.004>
- Bénassy-Quéré, A., Coupet, M., & Mayer, T. (2007). Institutional determinants of foreign direct investment. *The World Economy*, 30(5), 764–782. <https://doi.org/10.1111/j.1467-9701.2007.01022.x>
- BKPM. (2025a). *Laporan kinerja Kementerian Investasi dan Hilirisasi/BKPM tahun 2024 (Performance report of the Ministry of Investment and Downstreaming/BKPM 2024)*. https://ppid.bkpm.go.id/storage/file/pdf/1768187569_i4HtoTN3yO.pdf
- BKPM. (2025b). *Statistik realisasi investasi Januari–Desember tahun 2024 (Investment realization statistics January–December 2024)*. <https://data.bkpm.go.id/visualisasi-detail/statistik-realisasi-investasi-januari-desember-tahun-2024-GIsXrfG>
- BKPM. (2026, January 15). *Realisasi investasi 2025 lampau target, hilirisasi melompat 43,3 persen (Investment realization in 2025 exceeded the target, downstreaming jumped by 43.3 percent)*. <https://www.bkpm.go.id/id/info/siaran-pers/realisasi-investasi-2025-lampau-target-hilirisasi-melompat-43-3-persen>
- Blalock, G., & Gertler, P. J. (2008). Welfare gains from foreign direct investment through technology transfer to local suppliers. *Journal of International Economics*, 74(2), 402–421. <https://doi.org/10.1016/j.jinteco.2007.05.011>
- Budiono, S., & Purba, J. T. (2023). Factors of foreign direct investment flows to Indonesia in the era of COVID-19 pandemic. *Heliyon*, 9(4), Article e15429. <https://doi.org/10.1016/j.heliyon.2023.e15429>
- Busse, M., & Hefeker, C. (2007). Political risk, institutions and foreign direct investment. *European Journal of Political Economy*, 23(2), 397–415. <https://doi.org/10.1016/j.ejpoleco.2006.02.003>
- Butt, S. (2010). Regional autonomy and legal disorder: The proliferation of local laws in Indonesia. *Singapore Journal of Legal Studies*, 2010, 1–21. <https://www.jstor.org/stable/24872243>
- Butt, S., & Lindsey, T. (2008). Economic reform when the Constitution matters: Indonesia's Constitutional Court and Article 33. *Bulletin of Indonesian Economic Studies*, 44(2), 239–262. <https://doi.org/10.1080/00074910802169004>
- Crockett, A. (2021). Investment agreements and regulatory space in Indonesia. In M. Mohan & C. Brown (Eds.), *The Asian turn in foreign investment* (pp. 118–135). Cambridge University Press. <https://doi.org/10.1017/9781108675772.008>
- Daude, C., & Stein, E. (2007). The quality of institutions and foreign direct investment. *Economics & Politics*, 19(3), 317–344. <https://doi.org/10.1111/j.1468-0343.2007.00318.x>
- Dunning, J. H. (1988). The eclectic paradigm of international production: A restatement and some possible extensions. *Journal of International Business Studies*, 19(1), 1–31. <https://doi.org/10.1057/palgrave.jibs.8490372>
- Globerman, S., & Shapiro, D. (2003). Governance infrastructure and U.S. foreign direct investment. *Journal of International Business Studies*, 34(1), 19–39. <https://doi.org/10.1057/palgrave.jibs.8400001>
- Government of Indonesia. (2007). *Undang-Undang Republik Indonesia Nomor 25 Tahun 2007 tentang Penanaman Modal (Law of the Republic of Indonesia Number 25 of 2007 concerning Capital Investment)*. <https://peraturan.bpk.go.id/Details/39903/uu-no-25-tahun-2007>
- Government of Indonesia. (2021a). *Peraturan Pemerintah Republik Indonesia Nomor 5 Tahun 2021 tentang Penyelenggaraan Perizinan Berusaha Berbasis Risiko (Government Regulation of the Republic of Indonesia Number 5 of 2021 concerning the Implementation of Risk-Based Business Licensing)*. <https://peraturan.bpk.go.id/Details/161835/pp-no-5-tahun-2021>

- Government of Indonesia. (2021b). *Peraturan Presiden Republik Indonesia Nomor 10 Tahun 2021 tentang Bidang Usaha Penanaman Modal (Presidential Regulation of the Republic of Indonesia Number 10 of 2021 concerning Investment Business Fields)*. <https://peraturan.bpk.go.id/Details/161806/perpres-no-10-tahun-2021>
- Government of Indonesia. (2023). *Undang-Undang Republik Indonesia Nomor 6 Tahun 2023 tentang Penetapan Peraturan Pemerintah Pengganti Undang-Undang Nomor 2 Tahun 2022 tentang Cipta Kerja menjadi Undang-Undang (Law of the Republic of Indonesia Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation into Law)*. <https://peraturan.bpk.go.id/Details/246523/uu-no-6-tahun-2023>
- Hadi, S. P., Hamdani, R. S., & Roziqin, A. (2023). A sustainability review on the Indonesian Job Creation Law. *Heliyon*, 9(2), Article e13431. <https://doi.org/10.1016/j.heliyon.2023.e13431>
- Hsieh, P. L. (2023). New investment rulemaking in Asia: Between regionalism and domestication. *World Trade Review*, 22(1), 173–192. <https://doi.org/10.1017/S1474745622000362>
- Lindblad, J. T. (2015). Foreign direct investment in Indonesia: Fifty years of discourse. *Bulletin of Indonesian Economic Studies*, 51(2), 217–237. <https://doi.org/10.1080/00074918.2015.1061913>
- Lipsey, R. E., & Sjöholm, F. (2004). Foreign direct investment, education and wages in Indonesian manufacturing. *Journal of Development Economics*, 73(1), 415–422. <https://doi.org/10.1016/j.jdeveco.2002.12.004>
- Losari, J. J. (2016). Comprehensive or BIT by BIT: The ACIA and Indonesia's BITs. *Asian Journal of International Law*, 6(1), 1–31. <https://doi.org/10.1017/S2044251314000332>
- O'Callaghan, T. (2010). Patience is a virtue: Problems of regulatory governance in the Indonesian mining sector. *Resources Policy*, 35(3), 218–225. <https://doi.org/10.1016/j.resourpol.2010.05.001>
- OECD. (2025a). *OECD FDI Regulatory Restrictiveness Index 2024: Key findings and trends* (OECD Business and Finance Policy Papers No. 93). OECD Publishing. <https://doi.org/10.1787/88e61362-en>
- OECD. (2025b). *Addressing legal and regulatory barriers to quality infrastructure investment in India, Indonesia and the Philippines*. OECD Publishing. <https://doi.org/10.1787/fb81e1be-en>
- Price, D. (2017). Indonesia's bold strategy on bilateral investment treaties: Seeking an equitable climate for investment? *Asian Journal of International Law*, 7(1), 124–151. <https://doi.org/10.1017/S2044251315000247>
- Putro, T. A. (2021). Establishment of omnibus law in solving investment issues in Indonesia. *Indonesian Comparative Law Review*, 3(2), 105–123. <https://doi.org/10.18196/iclr.v3i2.12738>
- Sari, D. W., Khalifah, N. A., & Suyanto, S. (2016). The spillover effects of foreign direct investment on firms' productivity performances. *Journal of Productivity Analysis*, 46(2–3), 199–233. <https://doi.org/10.1007/s11123-016-0484-0>
- Sugiharti, L., Esquivias, M. A., & Setyorani, B. (2022). The FDI spillover effect on the efficiency and productivity of manufacturing firms: Its implication on open innovation. *Journal of Open Innovation: Technology, Market, and Complexity*, 8(2), Article 99. <https://doi.org/10.3390/joitmc8020099>
- Suroso, J. T., Durahman, D., & Budi, I. (2024). The simplification of licensing procedure in Job Creation Law: The effectiveness to attract foreign investor. *Cogent Social Sciences*, 10(1), Article 2414509. <https://doi.org/10.1080/23311886.2024.2414509>
- Takii, S. (2005). Productivity spillovers and characteristics of foreign multinational plants in Indonesian manufacturing 1990–1995. *Journal of Development Economics*, 76(2), 521–542. <https://doi.org/10.1016/j.jdeveco.2004.01.006>
- United Nations Conference on Trade and Development. (2025a). *World Investment Report 2025: International investment in the digital economy*. United Nations. <https://unctad.org/publication/world-investment-report-2025>
- United Nations Conference on Trade and Development. (2025b). *World Investment Report 2025: Annex tables*. United Nations. <https://unctad.org/publication/world-investment-report-2025>
- Widyaningsih, G. A. (2020). Indonesia's Omnibus Bill on Job Creation: A setback for environmental law? *Chinese Journal of Environmental Law*, 4(1), 97–116. <https://doi.org/10.1163/24686042-12340048>
- World Bank. (2025). *Worldwide Governance Indicators*. <https://www.worldbank.org/en/publication/worldwide-governance-indicators>

- World Bank. (2026). *Foreign direct investment, net inflows (% of GDP)—Indonesia*. World Development Indicators. <https://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?locations=ID>
- World Intellectual Property Organization. (2024). *Global Innovation Index 2024: Indonesia country profile*. <https://www.wipo.int/edocs/gii-ranking/2024/id.pdf>
- World Justice Project. (2025). *Indonesia ranks 69 out of 143 in the WJP Rule of Law Index*. https://worldjusticeproject.org/sites/default/files/documents/Indonesia_4.pdf