

## PRESS RELEASE

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### House of Representatives Approves the New Investment Law

*National Interest as the Main Reference*

**Jakarta, 29 March 2007** – Indonesia's House of Representatives has officially approved the long-awaited Investment Law today. The new Law is designed to comprehensively govern investment activities in Indonesia with a view to improving the investment climate that is not only conducive but also putting Indonesia's national interest at its heart.

After going through intensive discussions, both the Government and the House of Representatives are in agreement to pass the bill with a shared view that an investment law is a major instrument for the country to pursue national development. Hence, the new Law is expected to pave the way for Indonesia's efforts to improve business certainty for both local and foreign investors to continue their commitment and to increase their investment in Indonesia.

Minister of Trade Mari Pangestu--representing the Government in discussing the Investment Bill with the House--said *"The Investment Law just approved by the House takes place of the three-decade old Foreign Investment Law and Domestic Investment Law. The new Law was written and developed in recognition of the latest investment situation and the possibilities that lie ahead."* Further Mari Pangestu said *"The Bill was introduced by the Government and was discussed with the House amidst increased competition among countries to attract foreign investment. At the same time, we also paid special attention to our national economic development and set the rules that will allow our entrepreneurs to expand to their fullest potentials."*

The Investment Law sets investment's principles and objectives; basic investment policies; types of business entities and locations; treatment towards investment; labor; business sectors; investment development for micro, SMEs, and cooperatives; rights, obligations and responsibilities; implementation of investment; special economic zones; dispute settlement and sanctions.

The main features of the Investment Law include:

1. Legal certainty by adopting such important principles as national treatment, transparency and accountability. The Law also emphasizes the guarantee against nationalization, and dispute settlement;
2. Clear guidance on the separations of authorities and responsibilities between Central and Regional Governments in accordance with the regional autonomy principles;
3. Simplification of investment procedures and licensing through the adoption of a one-door, integrated service mechanism along with facilities and access required. Hence, the Central and Local Governments are urged to reduce high-cost economy by adopting de-bureaucratization and improving public services so as to make them more efficient.
4. Investment facilities which include:
  - a. **Fiscal Facility**, which applies to investment by limited liability companies;
  - b. **Services for Rights of Land Use** which can be provided and extended in advance, and be renewed as requested by an investor. Nevertheless, the rights will be denied should the investor

- does not use the land, the rights of land use is detrimental to the public interest, and the investor does not utilize the land as purportedly stated when the rights was granted;
- c. **Immigration Services**, which can be extended to investments requiring foreign experts, and to potential investors undertaking business feasibility assessment; and
  - d. **Import Licensing Facility** for goods so long as they are in compliance with the existing regulations, and those that do not result in negative impacts on safety, security, health, environment, and the nation's morale, or for relocation to Indonesia, and for meeting the needs of capital goods and raw materials for own production.

On the institutional side, the Investment Law instructs the Coordinating Board of Investment (BKPM)—led by a Chairman assigned by and directly responsible to the President—to coordinate the implementation of the investment policies, including the development of Indonesia's investment road map, as well as exploring and promoting local investment opportunities and potentials.

*“Of course, in discussing the Bill, the House and the Government regarded the national interest as the main reference. Indeed, the Law includes stipulations that uphold our national interest in a way that will provide foreign investment with national treatment only in sectors that are open to them. The Law eloquently governs such issues as sectors closed for foreign investment, sectors open for foreign investment with conditions, as well as issues of locations, partnership, and reservations for micro businesses and SMEs. National interest's criteria for defining sectors closed for foreign investment are, among others, health, morale, culture, environment, national security, and others,”* Trade Minister Mari Pangestu said.

The Government expresses its high appreciation to the Investment Law Special Committee and Commission VI of the House of Representatives for their good cooperation which allows the completion of the Bill in about four months.

The Government will soon finalize the implementation regulations as mandated by the Law, such as the Presidential Decree on Criteria and Business Sectors Closed for Foreign Investment and Sectors that are Open with Conditions, and the Presidential Decree on Procedures and Implementation of Investment Integrated Services.

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