

ABSTRACT

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ANALYSIS OF INDONESIA'S POLICY ON INTERNATIONAL INVESTMENT TREATIES: CHANGES AND PROSPECT

Key Words: Bilateral Investment Treaty, Foreign Direct Investment, Indonesia

Foreign direct investment has been at all-time high since the late 1990s, and foreign investors view Indonesia as a very promising investment destination. Therefore, Indonesia has been active in concluding bilateral investment treaties to attract foreign direct investment to promote economic development. In March 2014, however, Indonesian government expressed its intention to terminate (or not renewing) all of its bilateral investment treaties. This is because the Indonesian government's concern over a number of recent international arbitration cases brought by foreign investors seems to have caused it to reconsider the risks of investment treaties, and investment treaties have played a role in complementing the Indonesia's judicial system in which foreign investors have low confidence. The policy change can be also understood in the context of Indonesia's increased confidence in attracting foreign investment and growing economic nationalism, which in recent years has given rise to new regulations on foreign investment in the mining industry. To avoid possible negative impacts on the evaluation of Indonesia's foreign investment regime, the policy change should be accompanied by greater government efforts to reinforce legal protection for foreign investment.