

# INVESTMENT DYNAMICS IN THE EMERGING MARKET: COVID-19 INFLUENCE

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## Abstract

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The COVID-19 pandemic had a tangible impact on Indonesia's economy to a 4.5% economic growth contraction (Husnulwati & Yanuarsari, 2021). To analyze the dynamics of investment in the emerging market and the effects of COVID-19 associated with the work creation law in Indonesia. This study is research in the field of law with an empirical legal research approach. The Job Creation Law provides simplifications, especially concerning business licensing and investments that can be made starting from the micro, small and medium enterprises (MSME) level. The COVID-19 pandemic can be interpreted as momentum for Indonesia to attract more investors. The world economy has had significant changes, especially in exports and imports, coupled with the trade war between China and the United States (Sumarni, 2020). Still, several things must be paid attention to, namely: the long-term effect of investment after the amendment of investment provisions in the water, electricity, weapons, and defense business sectors; and the formulation of implementing regulations in the Job Creation Law because so far, Indonesia has been known to be slow in formulating laws and regulations.

**Keywords:** Investment Policy, Economic Growth, COVID-19, Job Creation, Indonesia

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## 1. INTRODUCTION

The COVID-19 pandemic has been acknowledged to impact almost all aspects of human life; the impact on the economy and health is the most affected pandemic. Many experts predict that the global COVID-19 pandemic could trigger a global recession, which would reduce world economic growth (Barrett, Das, Magistretti, Pugacheva, & Wingender, 2021). Plus, many countries have decided to restrict activities through *social media distancing* to *lockdown*, which

affects various community activities, especially the economic and tourism sectors; health is no exception. The chaos caused by the COVID-19 pandemic resulted in a decline in global economic growth to 3.5% in 2020 (World Bank, 2021), especially in global trade, which decreased by 5.3% in the same year (The World Trade Organization [WTO], 2021).

The decline in trade and economic growth certainly affects supply chains and international trade, thus encouraging policies that tend to lead to export and import bans/restrictions. According to

International Trade Centre records per June 17, 2021, 98 countries have banned/restricted exports, two countries have liberated exports, while as many as 12 countries have banned/restricted imports, and 104 countries have liberated exports (International Trade Centre, n.d.). As a result, implementing policies that prevent the spread of COVID-19 will certainly affect Indonesia's international trade and investment traffic (Salim et al., 2020).

Indonesia has implemented policies that focus on the health sector by not neglecting the economic sector, as shown through the National Economic Recovery Program and the 2020-2023 National Economic Development Plans, with priority: in the fields of health, social assistance, labor-intensive, relaxation of regulations, restructuring of micro, small and medium enterprises (MSMEs), placement of funds and guarantees, and transformation of the digital economy. The Large-Scale Social Restriction Policy (PSBB), now known as the Community Activities Restrictions Enforcement (PPKM) and Vaccination, are some policies that the Government has chosen to deal with the COVID-19 pandemic in addition to preparing adequate health facilities and ensuring access to all Indonesians. PPKM, which directly limits the activities and mobility of the entire community, affects the decline in national production and consumption activities (Riza, Arwanto, Mukti, & Pamungkas, 2020).

In response to the COVID-19 pandemic, Indonesia has taken various policies to maintain the momentum of domestic economic growth during the dormancy period for global economic recovery caused by COVID-19. In addition to the policies above, Indonesia and other countries have also implemented export-import policies concerning overcoming COVID-19 and maintaining the stability of the country's economy. Indonesia carries export restrictions and liberation for certain commodities (International Trade Centre, n.d.).

The policies on export bans, import restrictions, and import liberation taken by the Indonesian Government are a form of policies taken to deal with COVID-19 and maintain Indonesia's economic growth, which aims to realize people's prosperity through economic growth accompanied by a fair distribution of income (Nasution, Erlina, & Muda, 2020). How can the policies taken maintain the country's economic growth? Economic growth comprises exports, imports, investment, household consumption, and government expenditures related to gross domestic product (GDP), the best indicator/measurement tool to describe a country's economic growth. As one of the crucial factors in a country's economic growth, investment is also affected by the COVID-19 pandemic, whether the investment is delayed or stopped. Indonesia is currently ranked 73 on the ease of doing business index. Based on the index, Indonesia is now at a point that is less attractive to investors, which arises due to the complexity of regulations relating to investment and opening a business in Indonesia (Zaenuddin, 2012).

How did the policies taken by the Government during the COVID-19 pandemic affect Indonesia's economic growth? At this point, we will discuss the impact of policies on investment, imports and exports, and the protection of the domestic market. Such an analysis must be carried out because, in addition to causing adverse impacts, the presence of the COVID-19 pandemic can be used as a momentum for the Indonesian Government to encourage

economic growth and realize social and economic welfare for the Indonesian people.

The Indonesian Government, based on the 1945 Constitution of the Republic of Indonesia, is mandated to protect the entire Indonesian nation, which then becomes the State's goal to realize comprehensive social welfare. In dealing with the COVID-19 pandemic, it has become a priority for the Government of Indonesia to take policies aimed at protecting Indonesia from the spread of COVID-19 and the economic impact caused by the COVID-19 pandemic (Susanto & Asmara, 2020).

Previous studies have been conducted to investigate the effect that COVID-19 has on the investment dynamics of developing markets. In 2020, Fahrika and Roy (2020) carried out some research. This study tries to analyze the influence of the COVID-19 pandemic on Indonesia's macroeconomic trends and the policy actions implemented due to the pandemic. In this piece of writing, the researchers use library research, specifically taking several different reference materials that support this investigation. This research falls under the category of qualitative research. Listening to and taking notes on important information is the method for collecting data to conduct data analysis. This involves reducing the amount of data, displaying the data, and drawing conclusions to get an overall picture of the findings regarding the study of literature that will be developed through this research. The measures that need to be taken by the Government to alleviate the effects of the COVID-19 pandemic on the economy can be broken down into two distinct categories: the first is the social safety net, which requires the addition of and support from state budget (*Anggaran Pendapatan Belanja Negara* — APBN) financing; the second is the economic safety net, which requires the provision of fiscal and non-fiscal incentives. The publication of Government Regulation in Lieu of Law No. 1 of 2020 was the first of several other economic stimuli that were carried out to improve the economy. The second step is the implementation of a tax policy. Third, a policy is enacted in the monetary sector of the economy.

In 2021, Husnulwati and Yanuarsi (2021) carried out some research. According to the findings of this study, the COVID-19 pandemic in Indonesia has caused a drop in people's purchasing power in activities related to consumption. As a result, there is a need for an additional push from government expenditure and investment. To attract foreign direct investment (FDI), Indonesia's investment rules need to be more investor-friendly. With the passage of Law No. 11 of 2020 concerning job creation, investors will have an easier time, particularly with matters about licensing. It is anticipated that investment will increase due to the law on job creation.

The research was carried out in 2022 by Hidayati (2022). This study aims to analyze Islamic stocks, focusing on PYFA and KAUF companies during the pandemic. It will determine whether or not the two stocks can survive using various approaches, such as the global economy, the impact of foreign policy, and domestically, with any activity restrictions from March 2020 to December 2021. The period covered by this study is from March 2020 to December 2021. Because the data was gathered by the Indonesia Stock Exchange and Yahoo Finance, the approach was qualitative. Based on the findings

of this study, it appears that PYFA and KAUF shares have the potential to not only survive the COVID-19 pandemic but also dramatically enhance their share values. The impact on the share prices of the Islamic company PYFA and the company KAUF.

Even though they both bring up a significant issue, namely the impact that COVID-19 has on the investment dynamics in emerging markets, this research is distinct from previous research in that it places a greater emphasis on issues about regulation or the law, even though it does eventually circle back around to economic concerns. Therefore, the economic analysis of law (EAL) is the theoretical framework utilized in this study. The EAL approach has strong ties to the concept of justice in the legal system. The strategy and application of this analysis are developed with economic considerations in mind, but justice is not sacrificed in the process. This is done so that justice can become an economic standard based on three fundamental components, specifically value, utility, and efficiency, in conjunction with human rationality. The theory developed by Posner (1985) and became known as the economic conception of justice was founded on this fundamental idea. According to this theory, the law was formulated and put into practice to increase total social benefit as much as possible. After that step, the EAL used in this investigation will be combined with the method of the empirical legal approach. After the COVID-19 pandemic, this approach method will illustrate the value of Job Creation Law, effectiveness, and efficiency as a vehicle to increase investment.

This study investigates the relationship between the COVID-19 pandemic, economic growth, and investment after Law No. 11 of 2020 concerning job creation. In light of the concerns described above, this investigation needs to answer various questions, including the following:

*RQ1: What is the connection between the COVID-19 pandemic, economic growth, and investment?*

*RQ2: What about investment after Law No. 11 of 2020 concerning the creation of jobs?*

This purpose was determined based on the research questions that were asked. Academic and practical applications are both possible outcomes of this research. The Government may use this research to form new investment strategies, especially in light of the Job Creation Law. Furthermore, this research might be a reference for future researchers who plan to investigate the same subject matter in the academic world, notably in economic law.

The literature review section will explain that a person is considered to have investments when they have revenue that they do not spend on themselves but rather save or invest. A typical definition of investment is putting money into something to make a profit on it in the future. There are two basic types of investment, as defined by the concept just presented. An investment is a critical component in determining the efficacy of economic development. An early indication of Indonesia's economic performance came from the Jakarta Composite Index (JCI), which peaked at 6,300 in early January. Global economic conditions showed signals of vigorous growth before the advent of the COVID-19 pandemic. The COVID-19 pandemic has affected the organization's financial aspects and influenced the most fundamental concerns. Because of this, stock values have fallen, and they are not nearly as

good as they were before the pandemic. A person can withdraw their money from the capital market and put it in low-risk assets such as gold in a financial crisis. While the COVID-19 outbreak is still raging in Indonesia, further funding is needed. Indonesia's investment regulations must be made more investor-friendly.

The research methods section will explain that "empirical legal research" is a legal research approach that investigates how the law operates in society. The research specification takes a descriptive and analytical approach. It is possible to say that legal research findings are derived from the facts present in a community, legal body, or government agency.

The results section will explain the relationship between the COVID-19 pandemic, economic growth, and investment after Job Creation Law No. 11 of 2020. COVID-19 harmed Indonesia's economy. Indonesia's GDP grew 4.5% in 2020, or -2.7%, compared to 2019. Malaysia, Thailand, China, India, and Vietnam have a better business reputation than Indonesia. Law No. 11 of 2020 on Job Creation (*Undang-Undang Cipta Kerja* — UUCK) should improve Indonesia's investment climate. Indonesia's FDI receipts bolstered the index. This boost eased construction licenses and cross-border trade. Inconsistent regulations impede Indonesian investment. Indonesia passed UUCK. UUCK simplifies administrative tasks. UUCK changes investment requirements. This law governs all Indonesian investments. Central and regional governments develop Amdal for micro and small enterprises (MSE) enterprises or environmental operations. MSE aims to streamline investment and protection procedures and stimulate domestic economic growth in Indonesia. This simplicity should boost Indonesian investment while protecting the economy. An investment policy must cover natural resources, human resources, political and economic stability, and licensing ease. Investment encourages state and public health. Foreign investment in Indonesia has benefits and drawbacks.

The discussion section will explain that the COVID-19 pandemic has had a massive impact on the national and international economies. Indonesia must attract investors to invest in Indonesia, which can be done by establishing a good investment climate. Compared to other countries (Table 2), Indonesia has a rating of ease of doing business, which is low relative to other Southeast Asian countries. Indonesia's openness index to FDI continues to decline until it is currently in the range of 0.3-0.35 (0 indicates that the host country is very open to foreign investment). Indonesia has the potential for development by developing related industries, which require capital in its development, which can come from foreign or domestic investments. The COVID-19 pandemic can be the right momentum to develop the economy and maximize existing potential.

The conclusion section will explain that the COVID-19 pandemic has had various detrimental effects on Indonesia's condition. A nation is considered investment-friendly if it has favourable regulations for investments. The ratification of the Job Creation Law, for example, will simplify the administrative aspects of making investments. The COVID-19 pandemic can also be interpreted as momentum for growth caused by the decline in economic growth, China's exports and imports, and

policy changes. Taking proactive measures to attract investors is one way to capitalize on the momentum that has been generated. In addition, the recommendations from this study will be presented to further researchers and the Government, especially the Indonesian Government, to develop investment policies after the COVID-19 pandemic. Which also explains the limitations of this study.

Thus, the remainder of this paper is structured as follows. Section 2 reviews the relevant literature. Section 3 presents the methodology used in the study. Section 4 provides the results. Section 5 discusses the findings. Finally, Section 6 concludes the paper.

## **2. LITERATURE REVIEW**

A person is considered to have investments when they have revenue that they do not spend on themselves but rather save or invest. A typical definition of investment is putting money into something to make a profit on it in the future (Pring, 1995). Put another way, the commercial activity gets under motion when an investment is made. The following are the two basic types of investment, as defined by the concept just presented: as the needs of a person, group, institution, or country develop, investments are made to meet those needs on an ongoing basis (Aharoni, 2015). These investments are known as "necessary investments". Future needs drive this sort of investment. The Act of making an investment based only on a desire is an investment made because a person, a group of people, or an organization wants or needs it to achieve its long-term objectives. This kind of investment is more likely to make sense in an economic or commercial environment, notably in a firm that plans to produce money shortly (Friedman, Parent, & Mason, 2004).

As a result of this analysis, the following breakdown of investment options is possible: directly making a financial investment in an organization's assets or production processes is known as making a direct investment. Plantations, fisheries, industries, retail establishments, and other businesses are only a few examples of investments (Buckley, Cross, Tan, Liu, & Voss, 2010). As a general rule of thumb, this kind of investment may also be an investment in unambiguous existing assets or investments. Direct investment also has a strong multiplier effect that benefits the community. As a result of this direct investment, there will be both a backward and a forward influence on other businesses in terms of input and output (Mohammed, 2015).

Financial investments are made to gain future benefits. To keep things simple, the future benefits of this investment are more often referred to as investment fees or interest (Blake, 2006). On the other hand, indirect investment refers to purchasing financial assets rather than physical assets or production equipment. Indirect investments include bank deposits, securities (stocks and bonds), commercial paper, mutual funds, and other investments.

As a nation's Government and people manage its current resources and form a pattern of collaboration between the private sector and the Government to provide new job possibilities and drive the expansion of economic activity, economic development may be characterized as a process (Carree & Thurik, 2010). An investment is a critical component in determining the efficacy of economic development. As a result of

the investment, unemployment, poverty, and income inequality may be eliminated or significantly reduced (McMahon, 2000). One of the essential elements of starting capital for long-term economic growth is an inflow of outside investment money (Chenery, 1967). A higher capital stock will facilitate this development of the production sector's ability to create output or participate in production activities. It is possible to raise the standard of economic development by increasing worker utilization via these kinds of industrial operations (Romer, 1993).

Global economic conditions showed signals of vigorous growth before the advent of the COVID-19 pandemic (Shang, Li, & Zhang, 2021). It was not long before COVID-19 that geopolitical and economic tensions between the US and the Islamic Republic of Iran and trade wars generated by EU green deals, a trade war with China, and Brexit's unresolved issues threatened to derail the global economy. Although the COVID-19 pandemic had not yet broken out, the global economy was in good shape and provided potential investment opportunities. An early indication of Indonesia's economic performance came from the JCI, which peaked at 6,300 in early January, before the virus outbreak (Fitriyah & Luqyana, 2021).

The global economy, as well as the domestic economy, were both doing well at the time. Not only that but the country's economy is expected to expand by 5%, according to forecasts. Investors are attracted to Indonesia because of government policies, rupiah stability, and our large foreign exchange reserves. The situation on the stock exchange COVID-19 virus pandemic in Indonesia was initially discovered in March of this year. Once the virus was discovered, the JCI trend started to go in the opposite direction. Concerns about COVID-19 expanded from Wuhan, China, to Japan, Korea, and Singapore, all near Indonesia. This spread due to Indonesia's closeness to these nations. Consequently, due to this cutback, our JCI dropped below the 4,000 mark (Saragih, Nurhaida, Sinaga, & Ilham, 2021).

The impact of COVID-19 on stock market volatility: If this is an investment, the company's actions will have a substantial influence on the capital market. Although this fall may not be attributed entirely to investor pessimism, the Indonesian Government's unwillingness to deal with COVID-19 was also a factor. Thus, when the health crisis arose, and such feelings were in place, investors chose to withdraw their cash from the capital market, which undoubtedly led to lower stock prices. Due to the widespread societal constraints, many enterprises went bankrupt. In the current circumstances, we can observe that all publicly listed companies in the tourist business are losing money (Fakhrunnas, 2020).

As a result, we can see that the COVID-19 pandemic has affected the organization's financial aspects and has influenced the most fundamental and fundamental concerns (Bartik et al., 2020). Because of this, stock values have fallen, and they are not nearly as good as they were before the pandemic started. Even though many companies have been unable to go on as expected due to the current conditions, the performance of telecommunication corporations has improved during this pandemic. During the pandemic, internet service providers reported an extraordinary increase in their profits since more individuals worked from home and attended school online. The food and beverage

industry has also been a big success for enterprises like Indofood. A pandemic has taken hold, yet the company's overall performance has continued to rise. This is because the Indofood firm manufactures essentials in high demand. Investing behavior of investors during a pandemic period is not simply a matter of looking at figures that affect an investor's behaviour but also the economic and behavioural components of their investment decisions (Naseem, Mohsin, Hui, Liyan, & Penglai, 2021).

This suggests that stock market volatility has an impact on investor behaviour. Let us say an investor prefers to stay away from, or is somewhat concerned about, taking on much risk (Bouteska & Regaieg, 2020). A person can withdraw their money from the capital market and put it in low-risk assets such as gold in a financial crisis. Investors may avoid losing their money if they are ready to take on some risk. The word "investment" refers to all sorts of investment activities, including those undertaken by both local and international investors, to do business inside the Republic of Indonesia. While the COVID-19 outbreak is still raging in Indonesia, further funding is needed. To encourage FDI, Indonesia's investment regulations must be made more investor-friendly than they already are. Known as Law No. 11 of 2020 concerning job development, the goal of the job creation act is to enable the creation of employment and an increase in local and foreign investment in the Philippines. The number of regulatory restrictions for obtaining business licenses and land will be reduced. Despite the COVID-19 pandemic now ravaging Indonesia, the introduction of the Job Creation Law is expected to provide a solution for increasing investment (Husnulwati & Yanuars, 2021).

### 3. RESEARCH METHODOLOGY

The study being conducted here is known as empirical legal research. It is being done in the discipline of law. "Empirical legal research" refers to legal research that uses empirical facts gathered from human behaviour (Argyrou, 2017). These empirical data may be verbal behaviour acquired through interviews or actual behaviour seen directly. The outcomes of human conduct may also be seen via empirical study in the form of tangible relics and archives.

The empirical legal research technique is a legal research approach that investigates how the law

operates in society and functions to see how the law functions in a real sense to understand how the law functions (Cane & Kritzer, 2012). The empirical approach of legal research may also be referred to as sociological legal research since this particular study focuses on analyzing individuals in their living connections within society. It is possible to say that legal research findings are derived from the facts present in a community, legal body, or government agency (Cotterrell, 1998).

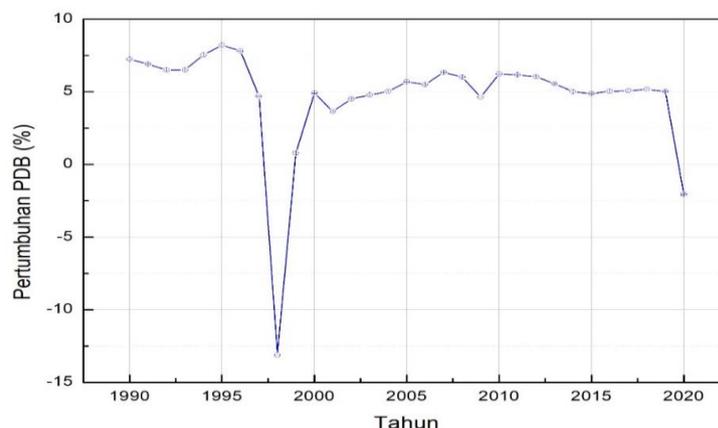
To analyze the dynamics of investment in Indonesia during the COVID-19 epidemic related to the ratification of Law No. 11 of 2020 about job creation, the empirical law research technique was used as the method of inquiry. Observation and a review of the relevant literature were the two methods used to obtain data. The research specification takes a descriptive and analytical approach. After then, a qualitative analysis of all of the gathered data will be performed. In most cases, the operations of qualitative data analysis methodologies are carried out concurrently with one another, namely the first introduction of data. The data need to be carefully reviewed by the researchers, and they should seek fundamental trends. Data transcription is another name for this process. Next, evaluate the sufficiency of the study goals and data connected to the existing questions to determine whether or not they are adequate. The data should then be indexed or coded to make it simpler to organize and examine. Finally, to obtain answers to the research questions, you need to select the study subject.

## 4. RESULTS

### 4.1. COVID-19 pandemic, economic growth, and investment

The COVID-19 pandemic has caused a massive contraction of the Indonesian economy. Referring to the International Monetary Fund (IMF) data, in 2020, Indonesia's GDP growth experienced a contraction of 4.5% compared to the achievement in the same period during 2019 or was at a growth rate of -2.71%. If examined more deeply, the lowest point of Indonesia's GDP growth occurred during the 1998 economic crisis, which experienced a contraction of 13.127%, as shown in Figure 1.

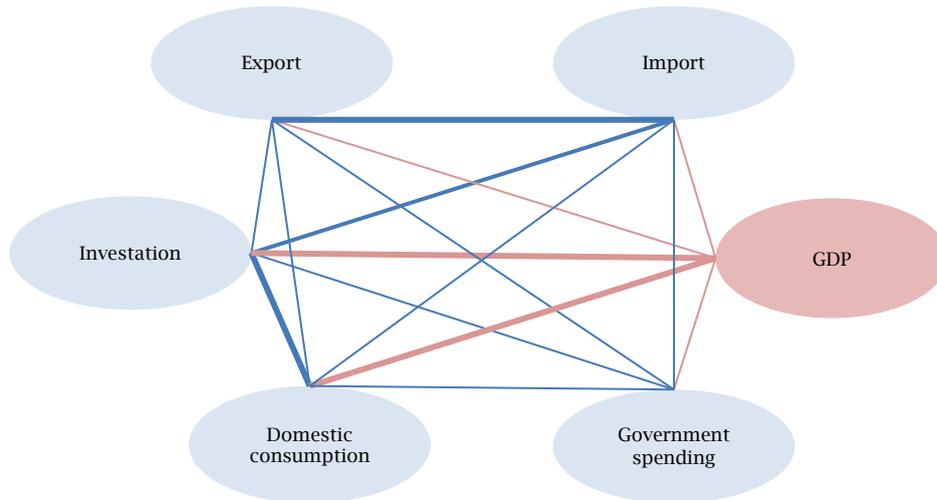
Figure 1. Indonesia's GDP growth in the 1990-2020 period



Indonesia's economic storm embodies the logical impact of the innate impact originating from China, which was the country of origin of the COVID-19 pandemic. China is Indonesia's leading export destination and the United States and Japan (Sumarni, 2020). In addition to influences originating from outside Indonesia, there are also influences arising from the spread of COVID-19 within the country arising from the Indonesian people's limited mobility and purchasing power, which decreased during the COVID-19 pandemic (Yamali & Putri, 2020).

GDP as a reflection of a country's economic growth consists of several essential components: namely government spending (G), household consumption (C), exports (X), imports (M), and investment (I), as explained in Figure 2. which was mentioned earlier that during the COVID-19 pandemic which showed a trend of contraction of GDP/economic growth, particular attention was paid to the investment component which showed realization performance through gross fixed capital formation (PMTB) which contributed to GDP contraction of 2.73% in the second quarter, and 2.11% in the third quarter of 2020 (Salim et al., 2020).

Figure 2. Sources of economic growth and formed relationships



Note: The thickness of the lines indicates the strength of the relationship.  
Source: Salim et al. (2020).

According to the Ministry of Investment (*Badan Koordinasi Penanaman Modal* — BKPM) report, there was a 5.81% FDI contraction in the first quarter of 2020 compared to the same period in 2019, while at the same time, there was an increase in domestic investment of 5.81% (BKPM, 2020). Foreign direct investment (FDI) itself has an essential role in trade (Asiedu, 2002; Chakrabarti, 2001; Ferrieri, 2006; Kandiero, Bank, & Chitiga, 2006; Liargovas & Skandalis, 2020). The realization of investment positively affects GDP (Nugroho, 2008), so the poor realization of FDI will affect Indonesia's economic growth, especially during the COVID-19 pandemic.

Based on the importance of the influence of investment on economic growth, the Government of Indonesia certainly takes various approaches. Indonesia, which has a lousy predicate regarding ease of doing business indicators, is still inferior to neighbouring countries such as Malaysia, Thailand, China, India, and Vietnam. The limitations of foreign investment as indicated by Indonesia's FDI Regulatory Restrictiveness Index (FDI Index), which is around 0.34 (the closer to 0 indicates the openness of a country to accept FDI) (Patunru & Surianta, 2020). So that the most relevant approach in this perspective is to create a good investment climate through laws and regulations so that Indonesia further experiences an increase in the ease of doing business and the improvement of the PMA restriction index, one of which is the ratification of Law No. 11 of 2020 concerning job creation. The Government hopes that the enactment of the UUCK will help build

the investment climate in Indonesia by simplifying investment provisions and increasing the ease of doing business, which has been a scourge for investors to invest in Indonesia (Marbun et al., 2020).

#### 4.2. Investment after UUCK

Ease of doing business (EODB) is an important indicator influencing investors' interest in investing in Indonesia through establishing a business entity or other investment methods. So far, Indonesia has been hit by the complexity of the provisions that investors must meet before finally investing (Sarwedi, 2002). The overall perception received by these investors describes Indonesia's investment climate. In addition to regulatory issues, the condition of Indonesia, which is experiencing an economic contraction caused by the COVID-19 pandemic, has reduced investors' interest in investing (Salim et al., 2020).

Basically, before enacting Law No. 11 of 2020 concerning job creation, there was already Law No. 25 of 2007 concerning investment, indicating the Government's movement in shaping the investment climate. Furthermore, the Ministry of Finance Regulation No. 150 of 2018 concerning the provision of corporate income tax reduction facilities for innovative products and Government Regulation No. 45 of 2019 regulates super policies tax deduction on research and development activities. This program includes vocational activities and research and investment allowance, among the three only *tax deductions* for vocations that have been equipped

with technical rules for their implementation. In contrast, until now, the rest do not have technical rules for their implementation (Husnulwati & Yanuarsa, 2021). Until that point, Indonesia was finally ranked fourth as the Most Prospective Investment Destination, with an emerging market index that amounted to 11 in 2017 (Sutrisno & Poerana, 2020).

Furthermore, Indonesia's PMA receipts became 65% of investment realization, boosting the ease of doing business index. Which initially ranked 106th and rose by 15 places to rank 91st (Sutrisno & Poerana, 2020). However, this increase was followed by a decrease in other aspects, namely the difficulty of building construction permits (dependent on local government permits), minority investors, enforcement of contract law, and cross-border trade. These policies can no longer accommodate the complexities of problems that include employment, infrastructure, fiscal, and non-fiscal incentives, especially the disharmony of regulations that has emerged as a factor inhibiting investment in Indonesia (Hernawati & Suroso, 2020).

Concerning the overlapping regulations governing investment in Indonesia, the Government has also tried to overcome this by issuing Government Regulation No. 24 of 2018 concerning electronically integrated business licensing services or PP OSS (online single submissions). This forum is intended to simplify licensing in making investments that integrate all matters related to or intersect with

the permit management process through one door. It is undeniable that this has a positive impact on minimizing the complexity and practice of brokers, which are still rampant. However, this step is not considered adequate for building a good investment climate. Investors also need clear legal rules, consistency, accessibility, and permanent legal force in the form of a law (Purwana, 2011; Sidharta, 2006).

Overcoming these complexities and developing the investment climate, Indonesia's Government to perform regulatory reform in the investment sector with the ratification of Law No. 11 of 2020 concerning job creation. The existence of UUCK is intended to reduce administrative processes that tend to be complicated. Investment law has its complexities; apart from investors investing their capital, a set of regulations related to labour and infrastructure aspects is needed. The barriers that hinder investors must be suppressed or eliminated so that investors are interested in contributing to national priority projects. The development of new industries through UUCK is also included in the national development plan (Prabu et al., 2020).

There are several changes in investment brought about through UUCK. Such as the requirements for domestic investment (PMDN) and foreign investment (PMA); provisions for the implementation of investment; support for micro, small, medium enterprises, and cooperatives; as well as simplification of investment provisions, all of which are summarised in Table 1 below:

**Table 1.** Investment policy settings through UUCK (Part 1)

<i>Substance</i>	<i>Chapter</i>	<i>Explanation</i>
Influence on investment climate	Article 6 of UUCK	a. Regarding the application of business licensing on a risk basis; b. simplification of business licensing requirements; c. simplification of sector business licensing; d. simplification of investment requirements.
OSS system development	Article 7 paragraph 1 and paragraph 7 of UUCK	Business licensing on a risk basis is carried out based on the level of risk, and the rating of the scale of the business activities carried out. The risk level and business scale rating of business activities are classified into: a. low-risk business activities; b. medium risk business activities; c. business activities with high risk.
Environment	Article 22 paragraphs 3, 12, and 13 of the UUCK (Article 24 paragraphs 1 and 5), Article 34 paragraph 1, Article 35 paragraph 1 of Law No. 32 of 2009	The Amdal document is the basis for the environmental feasibility test of the planned business or activity as a requirement for the issuance of a Business Licensing or Government Approval. Every business/activity that does not have a significant impact on the environment must meet environmental management efforts and environmental monitoring effort ( <i>Upaya Pengelolaan Lingkungan Hidup dan Upaya Pemantauan Lingkungan Hidup</i> —UKL-UPL) standards. Businesses or business activities that are not required to include UKL-UPL have an integrated Statement of Environmental Management and Monitoring Ability ( <i>Surat Pernyataan Kesanggupan Pengelolaan dan Pemantauan Lingkungan Hidup</i> — SPPL) in the licensing of business activities.
	Article 22 number 15 of UUCK (Article 37 of Law No. 32 of 2009)	Business license can be withdrawn/canceled if: 1. There are legal defects, errors, misuse, untruths, or false data/documents in the requirements for a business license application. 2. Non-fulfilment of environmental eligibility requirements. 3. Denying the obligations stipulated through the EIA/UKL-UPL document by the person in charge.
Protection and empowerment of MSMEs	Elucidation of Article 77 paragraphs 2 and 3 of the UUCK, pages 691–692 (Article 12 paragraph 3 and Article 13 paragraph 1 of Law No. 25 of 2007)	Investment requirements in the Government's priority business fields as stated in the investment priority list in the Presidential Regulation, which includes: MSME business fields and requirements for partnerships between large businesses and MSMEs, excluding partnerships as shareholders. In the protection of Cooperatives and SMEs: 1. PMA only allows large-scale businesses and establish partnerships with cooperatives and SMEs. 2. Allocate business fields for cooperatives and MSMEs and business fields for large businesses on the condition that they must involve cooperation through partnerships with cooperatives and MSMEs by the provisions of the legislation in the MSME sector.

**Table 1.** Investment policy settings through UUCK (Part 2)

<i>Substance</i>	<i>Chapter</i>	<i>Explanation</i>
Amdal making authority for MSE	Article 22 number 11 of UUCK (Article 32 paragraphs 1 and 2 of Law No. 21 of 2009)	The Central Government and Regional Governments assist in the preparation of Amdal for MSE businesses or activities that have an essential impact on the environment. Assistance in Amdal preparation in the form of facilities, costs, or Amdal preparation.
Division of central and regional authority	Article 174 of UUCK	The exercise of the president's authority through this Law is defined as the minister, institutional head, or local Government exercising their authority within the corridors determined by the Law.
	Article 176 number 2 of UUCK (Article 250 of Law No. 23 of 2014)	Perda and Perkasa are not allowed to conflict with laws and regulations with a higher hierarchy, the principle of forming good laws and regulations, the material content of laws and regulations, and court decisions.
	Article 176 number 9 of UUCK (Article 350 paragraph 1 and paragraph 5 of Law No. 23 of 2014)	The Regional Head must provide business licensing services per the provisions of the law and court decisions. Electronic business licensing system as long as it complies with the standards set by the Central Government.
Overlap policy	Article 77 number 1 of UUCK (Article 2 of Law No. 25 of 2007)	The provisions stipulated in this Law apply as the primary benchmark for investment in all sectors in the Republic of Indonesia's territory.
	Article 176 number 1 of UUCK (Article 16 paragraph 1 Law No. 23 of 2014)	The Central Government, in carrying out concurrent government affairs, is authorized to: a. Establish norms, standards, procedures, and criteria in the administration of Governmental affairs; b. Carry out supervision and guidance in the administration of Government affairs which are included in the authority of the region.
Employment	Article 81 number 4 of UUCK (Article 42 paragraph 1 and paragraph 4 of Law No. 13 of 2003)	Every job provider that employs foreign workers is required to have a foreign worker utilization plan ( <i>Rencana Penggunaan Tenaga Kerja Asing</i> — RPTKA) approved by the Central Government. Foreign workers can be employed in Indonesia only for a particular position and time who have competencies relevant to the position to be occupied.

In general, the changes brought about through the UUCK aim to summarise the provisions for investing and protecting, and spurring the growth and development of the domestic economy (Al'afghani & Bisariyadi, 2021). This simplification is expected to attract investors to participate in economic activities in Indonesia without neglecting the protection of the domestic economy, which is shown through prioritizing partnerships between investors and MSEs (Blandina, Noor Fitriani, & Septiyani, 2020). Especially on the issue of land acquisition for the public interest and the release of forest areas as borrow-to-use forest areas, as well as the establishment of a land bank regulated in Article 36 paragraph 1 of the UUCK, as well as the centralization of business licenses as an answer to problems that pre-existed investment barriers (Arrizal & Wulandari, 2021).

However, despite the Government's intention to build an investor-friendly investment climate in Indonesia, several notes need to be considered. Such as changes in the aspects of the business fields closed to investment which was initially through Article 12 of the Investment Law, which limited investors in the water business sector, electricity, weapons, and defense, which are specifically related to state sovereignty such as the production of gunpowder, explosives, and war equipment which were abolished through Article 7 of the UUCK which changed the provisions of Article 12 of Law No. 25 of 2007 concerning investment (Investment Law) that 1) Investment is open to all open business fields except for closed business fields for investment or activities that are only allowed to be carried out by the Central Government; 2) The closed line of business is a business related to narcotics goals; activities related to gambling practices; capture of several species listed in the list of endangered species of flora and fauna (Convention on International Trade in Endangered Species of Wild

Fauna and Flora); activities related to the preservation of coral/coral in the wild; industries have undertaken to manufacture chemical weapons; and industries that have the potential to damage the ozone layer in the earth's atmosphere.

Unfortunately, the changes in closed business fields brought about by the UUCK tarnish the principle of state sovereignty, considering that these business fields are strongly related to the sovereignty and interests of the Indonesian State (Suriadinata, 2019). These changes give the impression that the Government is only interested in attracting as many investors as possible without considering the sustainability of the investment itself. At the same time, this sustainability can provide more benefits through *the multiplication effect*, which will also affect Indonesia's economic growth and the realization of people's welfare (Julianti, 2021). In essence, the investment policy must cover the following aspects: natural resources, human resources; political and economic stability to certainty in doing business; supportive government policies; and ease of licensing.

Moreover, the opening of investment is aimed at the development of the State and the realization of the welfare of the people so that different things that can potentially endanger the sustainability of the State should be avoided. However, it has become the nature of investment that has caused various controversies. Three theoretical points of view can be used to assess/consider investment law policies seen from the *host country's* interests, namely (Sudirman, 2016):

- *Neoclassical economic theory* assumes that pure investment provides benefits to the *host country* so that investment is received with very open arms.

• *Dependencies is the theory* that views that foreign investment and investors can harm the domestic market by taking over the role of domestic economic actors in the national economy so that *the host country* with this view will tend to reject investment.

• *Middle path theory* views that in addition to bringing benefits, the investment will also have a negative impact, so the Government as a state administrator plays a role in suppressing the existence of these negative impacts with various legal policies through filtering investors, screening permits, as well as law enforcement efforts that are consistent and fulfill fundamental legal values.

The presence of a foreign investment in Indonesia, in particular, needs to be recognized to bring significant benefits, but it cannot be neglected the negative impacts that may arise. Especially during the current COVID-19 pandemic, we need an appropriate and intelligent step so that Indonesia can take advantage of all the potential it contains to achieve people's welfare as mandated in the 1945 Constitution of the Republic of Indonesia. In the short term, the ratification of UUCK may attract domestic and foreign investment. However, it is also necessary to consider national sustainability and stability, which has the potential to be disrupted by the presence of investors themselves, especially on a long-term scale, so the Indonesian Government must prepare anticipatory steps.

## 5. DISCUSSION

The COVID-19 pandemic has had a massive impact, especially on the national and international economies. However, judging from the other side, the COVID-19 pandemic, which began with the health crisis and later developed into a significant challenge in international trade and investment, can be a significant momentum for a country to take big steps in developing the national economy (Baldwin & Evenett, 2020). Interaction restrictions have a significant role in changing the global value chain (VGC), which during 2020 alone experienced a decline of up to 30%, which cannot be denied is also related to company finances and significantly affects FDI (Patunru & Surianta, 2020).

China, one of the cores of VGC, is having a trade war with the United States, which forced companies to go through alternative routes to avoid imposing tariffs (Parbo, 2021). In addition, the pandemic, which greatly affected China, reduced the supply of goods throughout the world, which also provided an impetus for multinational companies to diversify their supply chains so that they no longer relied on supplies from China (Sitorus, 2021). There is a tendency for multinational companies to move their activities initially centered from China to other countries in Southeast Asia (Parbo, 2021). For example, Google and Apple have been planning to move their business to Vietnam and Thailand since 2019 (Lee, 2020), which with the emergence of COVID-19, has increasingly pushed this intention to be realized (Ting-Fang & Li, 2019).

Based on these conditions, Indonesia must attract investors to invest in Indonesia, which can be done by establishing a good investment climate. Compared to other countries (Table 2), Indonesia has a rating of ease of doing business, which is low relative to other countries in Southeast Asia.

**Table 2.** Ranking of ease of doing business in Indonesia and several comparison countries in 2019

Country	Rating
Indonesia	73
Malaysia	12
Singapore	2
Vietnamese	70
Thailand	21
China	31

Source: The World Bank (<https://data.worldbank.org/indicator/IC.BUS.EASE.XQ?end=2019&start=2019&view=bar>).

The rating/index is determined by the regulatory factors governing the establishment of a business, which becomes a vital consideration for investors to invest in the host country (Sarwedi, 2002). Even though Indonesia's ranking has increased compared to 2014 conditions, compared to Vietnam and Thailand, Indonesia is not very attractive in the eyes of investors. In addition, Indonesia's openness index to FDI continues to decline until it is currently in the range of 0.3-0.35 (0 indicates that the host country is very open to foreign investment) (Patunru & Surianta, 2020).

Efforts to simplify regulations related to the ratification of the UUCK can have 2 implications, namely: increasing investor interest in investing or disrupting national stability in the long term. The many complex regulations in Indonesia are decisive factors that reduce investor interest. However, when viewed from the point of view of the *middle class, path theory* can be interpreted as an effort by the Indonesian Government to suppress the adverse effects that can be caused by FDI or other forms of investment (Soebagjo, 1990).

The COVID-19 pandemic can be interpreted as a momentum that Indonesia can use to reorganize things to increase economic growth and social welfare. Indonesia has taken the first step to shaping the investment climate by synchronizing and simplifying investment regulations with UUCK. However, the revocation of articles (such as those in UUCK) does not automatically cancel the Act and its implementing regulations. Hence, it is necessary to establish implementing regulations considering Indonesia's poor track record concerning policy/regulatory making (Patunru & Surianta, 2020).

One of the potentials that arise from this pandemic is related to various countries' export and import policies. Concerning Indonesia's export and import policies, it suspends import certification requirements on onion products, masks, and personal protective equipment; temporary entry tariff exemption for medical and pharmaceutical products (specifically for the handling of COVID-19); implements import certification for animals (pets and mammals) originating from countries affected by COVID-19; temporary suspension of the Indonesian National Standard for Mandatory Sugar from all countries; temporary exception for the addition of *fortifying substances* to imported wheat flour; exemption from import tariffs and taxes for COVID-19 vaccines; and, a temporary export ban on products such as ethyl alcohol, raw materials for masks, and personal protective equipment; the export ban on medical products and personal protective equipment (International Trade Centre, n.d.).

Several discourses arose about banning imports of several agricultural and livestock products from China, such as soybeans and meat. In addition to

this discourse, China, as one of the leading players in the VGC, experienced a drastic decline in exports due to export-import policies of countries (as a response to the COVID-19 pandemic), adjustment of export and import tariffs (due to the trade war with the United States) and the COVID-19 pandemic (Che, Liu, Zhang, & Zhao, 2020). With its abundance of natural resources, Indonesia has the potential for development by developing related industries, which, of course, require capital in its development, which can come from foreign or domestic investments.

It is hoped that simplifying investment rules and business development through UUCK will attract investors to make investments that can be utilized in Indonesia's economic development and realize equitable social welfare. The COVID-19 pandemic, which harms the Indonesian economy, can be the right momentum to develop the economy and maximize its existing potential. However, it is also necessary to consider national stability in the long term with the arrival of investors through PMA in Indonesia, so the preparation of implementing regulations for UUCK needs to be carried out carefully and considerate, but also must be done effectively and promptly.

## **6. CONCLUSION**

As a result of the conversations that have taken place, it is necessary to acknowledge that the COVID-19 pandemic has resulted in a variety of detrimental effects on Indonesia's condition in a variety of aspects, ranging from health-related aspects to economic aspects that have an impact on Indonesia's economic growth, as indicated by a 4.5% contraction in economic growth in 2020. Growth investment, which has an essential meaning in encouraging economic development, both at the level of micro-enterprises to multinational-scale businesses in Indonesia, is one of the factors that influence the economy, which is an essential indicator of efforts to realize the welfare of the Indonesian people. This is one of the factors that influence the economy. Administrative and legal considerations significantly impact equity involvement via investment in these enterprises, which has a ripple effect on the environment for investment. A nation is considered investment-friendly if it has regulations that are favourable to investments and if it has an easy-to-navigate bureaucracy in which investors may make their investments. The ratification of the Job Creation Law, which will simplify the administrative aspects of making investments by introducing risk-based businesses; simplification the requirements for business and investment permits; investment regulations to reach the level of MSMEs and cooperatives; centralization and digitisation of permits; all these things are being made to improve the investment climate in Indonesia. The COVID-19 pandemic, in addition to having a negative impact, can also be interpreted as momentum for growth caused by the decline in economic growth and China's exports and imports, which have been one of the leading players in the world economy, trade between China and the United States, and policy changes. Even though the pandemic has had a negative impact, this

can be the case. Trade with several different nations. It is impossible to rule out the possibility that in the not-too-distant future, other nations will take steps that are analogous to those taken by Apple and Google. These three factors have caused a significant shift in the global economy. One of the consequences of this shift is the likelihood that additional nations will follow in their footsteps. Together with the existence of the Job Creation Law, which is meant to condition Indonesia's investment environment to entice investors to invest, this is a considerable momentum. Taking proactive measures to attract investors is one way to capitalize on the momentum that has been generated; in addition, it is vital to pay greater attention to concerns connected to the implementation rules that accompany the Job Creation Law. One issue that has to be taken into consideration is the need to pay more attention to the stability of the country, which may be impacted by investments made over the long term — for instance, modifying investment prohibitions in water, energy, weapons, and defense industries, all while luring investors to the country in the hopes that they would pump cash into the national economy.

Investment is the primary force behind economic expansion, and the Government needs to acknowledge this fact. The Government must draft implementing regulations for the Job Creation Act swiftly; this is required so that the law may be immediately put into effect to build an investment climate after the COVID-19 pandemic. In addition, the Government needs to develop several strategies, including facilitating existing companies that are already in operation, facilitating the potential of existing companies that have not yet been executed, bringing in new investments, and providing incentives for existing companies to expand their operations. Especially amid a pandemic like the one currently taking place, when the situation is such that public consumption, which is the primary contributor to Indonesia's GDP, is deteriorating. Researchers in economics and law, in addition to the Government, need to focus on researching and developing concepts and tactics that are holistically related to what the Government should accomplish. After the COVID-19 pandemic, the Government may find this to help create an environment favourable to investment.

In Indonesia, a proverb says, "There is no ivory that does not crack". The same can be said about this study, which contains several flaws, and the researchers are aware that this is the case. This research has some shortcomings, most notably the research object and technique. This research is deemed to be less thorough because it only focuses on investment related to the ratification of the Job Creation Act; nonetheless, this weakness will serve as a lesson and reflection for researchers to develop this research. In addition, an empirical legal approach is the only method utilized in this research. Empirical or sociological legal research is a method of research that is carried out to obtain primary data and find the truth by using inductive thinking methods. The criteria for correspondence truth and the facts used to conduct the induction process and correspondence testing of truth are the most up-to-

date facts possible. Empirical or sociological legal research can also be referred to as empirical or sociological legal research. The empirical juridical approach is not a method that is exhaustive or complex enough to describe the primary focus of our investigation, which is an investment and

the COVID-19 pandemic. In light of this shortcoming, in future research, researchers will develop this research utilizing a novel strategy in the field of law, precisely the socio-legal approach method. This will be done because the researchers are aware of the deficiency.

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