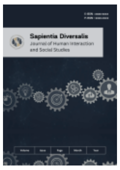

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Regulatory Uncertainty as A Challenge to The Protection of Foreign Investors' Legitimate Expectations from The Perspective of Indonesian Investment Law

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Abstract

This study examines the relationship between regulatory uncertainty and the protection of foreign investors' legitimate expectations within the framework of Indonesian investment law. Employing a non empirical normative legal research design, the study integrates statutory, conceptual, and comparative approaches to evaluate the extent to which Indonesian investment regulations provide legal certainty consistent with internationally recognized investment protection standards. The analysis focuses on Law Number 25 of 2007 concerning Investment, Law Number 6 of 2023 concerning Job Creation, and Government Regulation Number 5 of 2021 concerning Risk Based Business Licensing, complemented by international investment law doctrines and comparative jurisprudence. The findings indicate that Indonesian law implicitly accommodates the protection of legitimate expectations through principles of legal certainty and equal treatment, yet lacks explicit normative recognition. Regulatory inconsistency, overlapping governance structures, policy transitions, and implementation disparities create conditions that weaken investor reliance and regulatory predictability. The study further identifies a normative gap between domestic regulatory practice and international standards of Fair and Equitable Treatment. Strengthening investor protection requires regulatory harmonization, evidence based regulatory review, institutional coordination, and investment governance mechanisms capable of ensuring greater stability, transparency, and legal coherence.

Keywords : *Foreign Investment, Indonesian Investment Law, Legitimate Expectations, Legal Certainty, Regulatory Uncertainty.*

INTRODUCTION

Foreign Direct Investment has become one of the most influential drivers of economic development in emerging economies, particularly in jurisdictions seeking to accelerate industrial transformation, technological transfer, and integration into global value chains. Within the contemporary architecture of international investment law, the protection of foreign investors has evolved from a narrow concern with expropriation toward a broader commitment to ensuring legal stability, regulatory predictability, and procedural fairness. This transformation has elevated the doctrine of legitimate expectations into a central component of the Fair and Equitable Treatment standard, which functions as a normative mechanism for balancing sovereign regulatory authority and investor confidence. The increasing complexity of transnational investment relations has simultaneously intensified debates concerning the extent to which host states may modify domestic regulations without undermining expectations reasonably relied upon by foreign investors at the time of investment. Comparative developments in international investment jurisprudence demonstrate that regulatory volatility is increasingly perceived as a significant source of investment risk because abrupt legal changes can substantially affect the economic assumptions underlying investment decisions (Newcombe & Paradell, 2009). The growing judicialization of investment governance further reflects an international demand for enhanced predictability and consistency in the treatment of investors across jurisdictions (Yu, 2022). These developments place regulatory certainty at the center of contemporary investment law scholarship and create a pressing need to examine how domestic legal systems respond to the challenge of protecting investors' legitimate expectations amid dynamic regulatory environments (Kingsbury & Schill, 2010).

Existing scholarship has extensively explored the relationship between regulatory change and the protection of foreign investors through both doctrinal and institutional perspectives. International investment tribunals have repeatedly emphasized that legitimate expectations emerge when states create representations, legal frameworks, or policy commitments that induce investment decisions, although the scope and intensity of such protection remain contested (McLachlan, Shore, & Weiniger, 2017). Comparative studies have demonstrated that legal certainty is not merely a procedural requirement but a substantive element influencing investor behavior and long term investment planning (Newcombe & Paradell, 2009). Recent analyses of regulatory governance in Asia have further revealed that investors increasingly evaluate the credibility of state institutions through their capacity to maintain coherent regulatory visions over time, particularly in sectors characterized by rapid economic transformation and financial innovation (Yasuda, 2023). In the Indonesian context, studies examining the intersection between economic nationalism and investment liberalization have highlighted the state's ongoing struggle to reconcile developmental objectives with commitments to foreign capital protection (Sahab, Nauvarian, Larasati, & Hennida, 2025). Collectively, these studies suggest that investor confidence is shaped not only by formal legal guarantees but also by the consistency and reliability of regulatory institutions that operationalize those guarantees.

Despite these contributions, the existing literature reveals significant conceptual and empirical limitations that constrain a comprehensive understanding of legitimate expectations within the Indonesian legal framework. Much of the international investment law scholarship has focused on arbitral interpretations of Fair and Equitable Treatment while devoting comparatively limited attention to the domestic legal conditions that either reinforce or undermine the realization of legitimate expectations in practice (Kingsbury & Schill, 2010). Indonesian legal studies have similarly concentrated on specific manifestations of legal uncertainty affecting investors, including uncertainty surrounding corporate establishment procedures, digital asset transactions, and shifting investment behavior, yet these analyses rarely engage directly with the doctrinal foundations of legitimate expectations as an autonomous legal principle (Tanuwijaya & Adam, 2025). Research concerning investor protection in emerging economic sectors often identifies legal vulnerability but stops short of examining how regulatory instability interacts with broader international investment obligations (Siregar, 2025). Likewise, discussions of regulatory challenges in Indonesia frequently describe policy inconsistency as an economic concern without systematically connecting such inconsistency to the erosion of legally protected investor expectations under international investment standards (Sudarya & Prayuti, 2025).

The persistence of these gaps is particularly problematic because Indonesia continues to pursue ambitious investment driven development strategies while simultaneously undertaking extensive regulatory reforms that affect the legal environment of foreign investors. Regulatory fragmentation between central and regional authorities, overlapping norms across sectors, and recurring policy adjustments have generated uncertainty regarding the continuity of rights and obligations associated with investment activities. The significance of this issue extends beyond theoretical debates because legal unpredictability can increase transaction costs, discourage long term capital commitments, and expose the state to costly investment disputes. Contemporary studies on regulatory compliance in cross border economic activities illustrate that legal certainty constitutes a foundational prerequisite for sustaining trust within international commercial relationships and ensuring effective participation in global markets (Yuanitasari & Suwandono, 2025). Within this context, unresolved questions concerning the recognition and protection of legitimate expectations in Indonesian investment law acquire substantial practical relevance because they directly influence the state's ability to attract foreign investment while preserving regulatory autonomy.

This research positions itself at the intersection of international investment law, comparative public law, and Indonesian regulatory governance by advancing an analytical framework that treats legitimate expectations not merely as a derivative element of Fair and Equitable Treatment but as a distinct normative benchmark for evaluating regulatory certainty within domestic investment law. Rather than examining investor protection exclusively through arbitral jurisprudence or through economic assessments of investment performance, this study investigates how Indonesian legal instruments, institutional arrangements, and regulatory practices collectively shape the extent to which foreign investors can reasonably rely upon the stability and predictability of the legal framework governing their investments. Such an approach enables a more integrated understanding of the relationship between domestic legal certainty and international standards of investor protection while addressing the disconnect that has persisted between international doctrinal developments and national regulatory realities.

This study aims to examine the legal recognition and regulation of the doctrine of legitimate expectations within the framework of Indonesian investment law and to identify mechanisms for optimizing its protection in the face of regulatory uncertainty. The research contributes theoretically by developing a more comprehensive conceptualization of legitimate expectations as a bridge between domestic legal certainty and international investment protection standards. It contributes methodologically through the integration of statutory, conceptual, and comparative legal approaches that enable a multidimensional assessment of regulatory uncertainty and its implications for foreign investors. By clarifying the normative foundations and institutional requirements necessary for safeguarding legitimate expectations, the study seeks to enrich scholarly debates on investment governance while offering a framework for strengthening legal certainty in Indonesia's evolving investment regime.

RESEARCH METHODS

This study employs a non empirical normative legal research design that examines legal norms, principles, and doctrines governing the protection of foreign investors' legitimate expectations within the framework of Indonesian investment law. The research integrates statutory, conceptual, and comparative approaches to investigate the relationship between regulatory uncertainty and investor protection. Primary legal materials consist of Law Number 25 of 2007 concerning Investment, Law Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation into Law, and Government Regulation Number 5 of 2021 concerning Risk Based Business Licensing. These sources are complemented by international investment law instruments, bilateral investment treaty practices, and authoritative doctrinal works on Fair and Equitable Treatment and legitimate expectations. Secondary legal materials include scholarly monographs, journal articles, and academic commentaries addressing international investment protection, regulatory stability, and comparative public law perspectives (Schreuer, 2008; Kingsbury & Schill, 2010; Dolzer, Kriebaum, & Schreuer, 2022). The collection of legal materials was conducted through systematic library research and documentary analysis to identify relevant norms, principles, and interpretative developments concerning the protection of foreign investors.

The analytical framework is based on qualitative legal reasoning through statutory interpretation, conceptual interpretation, and comparative legal analysis. Legal provisions governing investment protection are examined in light of the doctrine of legitimate expectations as developed within international investment jurisprudence and the broader Fair and Equitable Treatment standard. The study evaluates the coherence between Indonesian domestic investment regulations and internationally recognized principles of investor protection by identifying normative consistencies, regulatory gaps, and institutional challenges affecting legal certainty. Comparative analysis is employed to assess how international investment law conceptualizes regulatory stability and the extent to which these standards are reflected in Indonesian law. The interpretative process is guided by doctrinal legal analysis that seeks to construct a coherent understanding of the rights of foreign investors and the regulatory obligations of the state, while ensuring analytical rigor through the triangulation of legislation, legal doctrine, and comparative jurisprudential sources (Creswell & Creswell, 2018; Dolzer, Kriebaum, & Schreuer, 2022; Schreuer, 2008).

RESULTS AND DISCUSSION

The Normative Recognition of Legitimate Expectations within Indonesian Investment Law

The doctrine of legitimate expectations occupies a prominent position within contemporary international investment law because it functions as a normative instrument for safeguarding investor confidence against arbitrary governmental conduct. International tribunals have progressively interpreted this doctrine as an integral component of the Fair and Equitable Treatment standard that requires states to maintain a predictable legal environment for foreign investment (Dolzer, Kriebaum, & Schreuer, 2022). The analytical review conducted in this study demonstrates that the protection of legitimate expectations derives not merely from contractual commitments but also from representations embodied in legislation, administrative conduct, and regulatory frameworks. Such an understanding has generated a broader conception of legal certainty that extends beyond formal legality toward substantive predictability in state action (Newcombe & Paradell, 2009).

The statutory framework governing investment in Indonesia reveals an indirect recognition of legal certainty as a fundamental principle of investment governance. Law Number 25 of 2007 concerning Investment guarantees equal treatment, legal certainty, and business certainty for investors operating within Indonesian jurisdiction (Republic of Indonesia, 2007). Despite these guarantees, the legislation does not expressly define legitimate expectations nor establish the legal consequences arising from governmental actions that frustrate investor reliance. The absence of explicit doctrinal articulation creates interpretative ambiguity concerning the extent of state obligations toward foreign investors (Tanuwijaya & Adam, 2025).

From a comparative public law perspective, legal certainty functions as a bridge between domestic administrative governance and international investment protection. Comparative scholarship indicates that investment regimes characterized by stable regulatory commitments generally attract stronger investor confidence because economic actors rely upon foreseeable institutional behavior when allocating capital (Kingsbury & Schill, 2010). Indonesian investment legislation reflects this aspiration through references to certainty and transparency, yet the normative architecture remains fragmented across multiple regulatory instruments. Such fragmentation weakens the capacity of domestic law to produce a coherent framework for the protection of legitimate expectations (Adhie, Suwandono, & Yuanitasari, 2023).

The doctrinal relationship between Fair and Equitable Treatment and legitimate expectations deserves closer scrutiny because both concepts are frequently treated as interchangeable despite possessing distinct legal functions. Fair and Equitable Treatment establishes a broad standard of state conduct, whereas legitimate expectations focuses specifically on investor reliance upon governmental representations (McLachlan, Shore, & Weiniger, 2017). Indonesian legislation adopts language that resembles the objectives of Fair and Equitable Treatment without providing operational criteria for assessing whether investor expectations deserve legal protection. This gap produces uncertainty regarding the threshold at which regulatory change becomes legally problematic (Ratner, 2022).

The interpretative review of Indonesian regulatory instruments also demonstrates that investment governance increasingly relies on administrative mechanisms rather than solely on statutory guarantees. Risk based licensing reforms and digital administrative procedures seek to improve efficiency and transparency in investment administration (Republic of Indonesia, 2021). Nevertheless, administrative modernization does not automatically resolve doctrinal uncertainty concerning investor expectations. Legal certainty requires not only efficient procedures but also normative consistency between governmental commitments and regulatory implementation (Nurhayati et al., 2025).

Table 1. Normative Indicators of Legitimate Expectations within Indonesian Investment Law

Legal Instrument	Normative Principle	Relevance to Legitimate Expectations	Regulatory Limitation
Law Number 25 of 2007 concerning Investment	Legal certainty and equal treatment	Provides an implicit basis for protecting investor reliance on state commitments and regulatory continuity	Does not expressly recognize the doctrine of legitimate expectations
Government Regulation Number 5 of 2021 concerning Risk Based Business Licensing	Risk based licensing and administrative efficiency	Strengthens procedural predictability through standardized licensing mechanisms	Focuses primarily on administrative procedures rather than substantive investor protection

Law Number 6 of 2023 concerning Job Creation	Regulatory simplification and investment facilitation	Supports a more integrated investment framework and reduces procedural fragmentation	Generates interpretative challenges during regulatory transition and implementation
Bilateral Investment Treaties	Fair and Equitable Treatment standard	Establishes a stronger normative foundation for the protection of investor expectations under international investment law	Incorporation and application within domestic legal practice remain inconsistent

Source: Developed by the author based on Republic of Indonesia (2007), Republic of Indonesia (2021), Republic of Indonesia (2023), and doctrinal analysis of Dolzer, Kriebaum, and Schreuer (2022).

The information presented in Table 1 illustrates that Indonesian investment law contains several normative elements that are compatible with the doctrine of legitimate expectations. The legal framework emphasizes certainty, transparency, and administrative predictability as important objectives of investment governance. At the same time, the absence of explicit recognition creates a structural gap between domestic legal guarantees and international investment standards. This finding confirms that doctrinal compatibility does not necessarily translate into effective legal protection (Schreuer, 2008).

A further examination of bilateral investment treaty practice demonstrates that Indonesia has historically accepted international standards capable of protecting legitimate expectations. Several treaties incorporate Fair and Equitable Treatment clauses that have been interpreted broadly in international arbitration jurisprudence (Imanuddin, 2023). These treaty commitments indicate that Indonesia is not unfamiliar with the normative foundations of investor protection. The challenge arises from the limited integration of those standards into domestic legal structures where most regulatory interactions occur.

This tension becomes increasingly significant when viewed through the broader transformation of Indonesian economic governance. Contemporary investment policy seeks to balance economic nationalism with the need to attract foreign capital in a competitive global environment (Sahab et al., 2025). Such policy objectives inevitably generate regulatory adjustments intended to accommodate changing development priorities. The legal question concerns whether those adjustments remain compatible with investor expectations that were reasonably formed under previous regulatory conditions.

The literature on legal certainty consistently demonstrates that investors evaluate not only the content of legal rules but also the reliability of institutions responsible for implementing them. Empirical observations from financial markets and investment behavior indicate that perceived uncertainty often affects investment decisions more strongly than formal regulatory provisions themselves (Hutahayan et al., 2024). This observation reinforces the argument that legitimate expectations cannot be protected solely through abstract legal declarations. Effective protection requires institutional practices capable of maintaining consistency between normative commitments and administrative action (Desiana, Abdussamad, & Rahim, 2026).

The normative analysis ultimately reveals that Indonesian investment law recognizes several foundational values associated with legitimate expectations while stopping short of establishing a comprehensive doctrinal framework. Existing statutes provide a legal environment that implicitly supports investor confidence through principles of certainty, transparency, and equal treatment. International investment law, however, demands a more precise articulation of the circumstances under which investor reliance deserves protection against disruptive regulatory intervention (Yu, 2022). The resulting doctrinal gap represents a central challenge for aligning Indonesian investment law with evolving international standards governing the protection of foreign investors.

Regulatory Uncertainty and the Erosion of Foreign Investors' Legitimate Expectations in Indonesia

Regulatory uncertainty emerges as one of the most significant normative challenges affecting the protection of foreign investors within Indonesia's investment governance framework. Statutory interpretation and comparative legal analysis indicate that investor confidence is influenced not only by the existence of legal rules but also by the consistency and predictability of their implementation. Contemporary scholarship identifies regulatory fragmentation as a structural feature that may weaken the reliability of governmental commitments in developing regulatory systems (Yasuda, 2023). This condition becomes increasingly relevant when foreign investors structure long term business decisions on assumptions regarding regulatory continuity.

A doctrinal examination of Indonesian investment regulation reveals recurring tensions between regulatory consistency and policy adaptation. Regulatory amendments frequently respond to economic and political priorities, yet frequent modifications may generate uncertainty concerning the durability of previously established legal expectations. Similar concerns have been identified in analyses of Indonesian regulatory reform that highlight the interaction between legal change and investor behavior (Sudarya & Prayuti, 2025). Foreign investors may perceive accelerated regulatory transformation as a signal that future legal conditions remain difficult to anticipate with sufficient certainty.

Normative analysis further demonstrates that overlapping regulations continue to affect legal clarity in several sectors involving foreign participation. Legal obligations may originate from multiple regulatory instruments that are not always interpreted uniformly by administrative authorities. Research concerning legal uncertainty in Indonesian corporate and environmental governance illustrates how overlapping regulatory mandates can create conflicting compliance expectations for business actors (Al Fajri, 2025). Comparable patterns are visible within investment administration where investors encounter challenges in identifying the authoritative interpretation of applicable rules.

The relationship between central and local governmental authorities also contributes to uncertainty affecting foreign investment activities. Decentralized governance structures create opportunities for local adaptation of national policies, yet differences in implementation may generate inconsistent administrative outcomes. Studies concerning foreign investors operating within Indonesian legal institutions emphasize that divergent governmental interpretations can complicate legal planning and risk assessment (Tanuwijaya & Adam, 2025). The resulting uncertainty extends beyond substantive regulation and influences administrative predictability during investment implementation.

Normative findings additionally reveal that implementation gaps frequently emerge between legislative objectives and administrative practice. Regulatory reforms are commonly designed to enhance efficiency and legal certainty, yet practical execution often depends on institutional capacity and bureaucratic coordination. Similar observations appear in broader discussions concerning regulatory governance in Indonesia where formal legal modernization does not always produce equivalent improvements in administrative consistency (Sahab et al., 2025). Foreign investors consequently evaluate not only legislative texts but also the reliability of regulatory institutions responsible for enforcement.

Table 2. Forms of Regulatory Uncertainty Affecting Foreign Investors' Legitimate Expectations in Indonesia

Dimension	International Standard	Indonesian Regulatory Condition	Impact on Legitimate Expectations
Regulatory Stability	Predictable legal framework	Frequent legal amendments	Reduced investor reliance
Regulatory Consistency	Harmonized governance	Central local inconsistency	Compliance uncertainty
Administrative Predictability	Transparent procedures	Variable implementation	Increased transaction costs

Legal Certainty	Clear investor rights	Ambiguous protection standards	Weakened expectations

Source**:** Constructed by the author based on doctrinal analysis of Dolzer, Kriebaum, and Schreuer (2022), Yu (2022), Republic of Indonesia (2023), and Nurhayati et al. (2025).

The findings presented in Table 2 demonstrate that regulatory uncertainty extends beyond legislative change and encompasses broader institutional dimensions affecting investment governance. Comparative analysis indicates that international investment standards prioritize predictability, transparency, and coherence as conditions supporting investor reliance (Dolzer et al., 2022). Indonesian regulatory reforms have sought to strengthen these objectives through modernization initiatives, yet several dimensions continue to display implementation variability (Nurhayati et al., 2025). The table illustrates how institutional inconsistency may gradually weaken the practical effectiveness of investor protection despite formal regulatory commitments.

Law Number 6 of 2023 concerning Job Creation represents a significant effort to streamline Indonesia's investment framework and improve regulatory efficiency. The legislation consolidates numerous regulatory sectors and seeks to reduce administrative complexity affecting domestic and foreign investment activities (Republic of Indonesia, 2023). Normative assessment nevertheless identifies transitional challenges associated with the integration of newly revised legal standards into existing institutional structures. Such transitional dynamics create uncertainty when administrative actors interpret newly introduced provisions differently across sectors and jurisdictions.

Government Regulation Number 5 of 2021 introduced a risk based licensing model through the Online Single Submission system with the objective of enhancing administrative predictability. The reform seeks to simplify licensing procedures while promoting greater transparency in governmental decision making (Republic of Indonesia, 2021). Scholarly evaluations indicate that practical implementation remains uneven because institutional adaptation and digital governance capacities continue to evolve across regulatory agencies (Amalia et al., 2024). Similar concerns have been identified regarding the operation of the OSS framework and the realization of legal certainty objectives in practice (Nurhayati et al., 2025).

A comparative perspective reveals a notable gap between international expectations concerning regulatory stability and contemporary Indonesian regulatory practice. International investment jurisprudence generally evaluates state conduct through indicators such as transparency, predictability, and the protection of reasonable investor reliance (McLachlan et al., 2017). Legal scholarship further emphasizes that stable regulatory communication contributes significantly to the legitimacy of governmental action within investment relations (Newcombe & Paradell, 2009). The persistence of regulatory adjustments and implementation disparities therefore raises questions regarding the extent to which these standards are effectively reflected in domestic practice.

The doctrinal analysis ultimately indicates that regulatory uncertainty constitutes a central challenge to the protection of foreign investors within Indonesia. International legal standards emphasize predictability as a necessary component of an investment environment capable of sustaining long term economic commitments (Yu, 2022). Indonesian reforms demonstrate a strong commitment toward improving investment governance, yet the coexistence of regulatory transition, institutional inconsistency, and implementation variability continues to affect investor confidence (Dolzer et al., 2022). The resulting gap between formal regulatory objectives and practical legal certainty illustrates how regulatory uncertainty can erode the reliability of expectations upon which foreign investment decisions are based.

Strengthening the Protection of Foreign Investors' Legitimate Expectations Through Regulatory and Institutional Reform

The protection of foreign investors' legitimate expectations requires a regulatory architecture capable of ensuring coherence between legislative objectives and administrative implementation. Comparative public law scholarship emphasizes that legal certainty is strengthened when regulatory systems operate through coordinated normative structures rather than fragmented legal arrangements (Kingsbury & Schill, 2010). From a normative perspective, the enhancement of investor protection in Indonesia depends upon the development of integrated regulatory governance that aligns substantive legal standards with institutional practice. Such an approach contributes to the creation of a more reliable legal environment in which investment decisions can be undertaken with greater confidence.

A primary reform strategy involves the strengthening of vertical and horizontal regulatory harmonization across the investment governance framework. Vertical harmonization requires consistency between statutory provisions, implementing regulations, and administrative measures, while horizontal harmonization focuses on alignment among institutions exercising regulatory authority. Legal certainty is more effectively preserved when investors encounter uniform legal interpretations throughout different levels of governance (Desiana et al., 2026). Similar arguments have been advanced in studies concerning regulatory modernization that identify harmonized legal structures as an essential component of business certainty in Indonesia (Adhie et al., 2023).

Regulatory coherence should also be treated as a continuing institutional objective rather than a legislative outcome achieved through isolated reform initiatives. Normative analysis suggests that coherent regulatory systems reduce interpretative divergence and improve the credibility of governmental commitments toward investors. Comparative investment law literature recognizes coherence as an important element supporting the effectiveness of legal protection mechanisms within complex regulatory environments (Kingsbury & Schill, 2010). The establishment of periodic regulatory alignment mechanisms may therefore strengthen the consistency of investment governance over time.

A complementary reform measure involves the institutionalization of Regulatory Impact Assessment as part of the legislative and administrative decision making process. Regulatory Impact Assessment enables policymakers to evaluate potential legal and economic consequences before regulatory measures are adopted. Methodological scholarship highlights the importance of evidence based evaluation in producing more reliable and accountable policy outcomes (Creswell & Creswell, 2018). The integration of structured assessment procedures may reduce the likelihood that future reforms inadvertently disrupt legally protected investment expectations.

The preventive function of Regulatory Impact Assessment extends beyond technical policy evaluation and contributes to broader legal governance objectives. Ex ante review mechanisms allow regulators to identify possible inconsistencies between proposed reforms and existing legal commitments affecting investors. Contemporary analyses of regulatory development in Indonesia demonstrate that anticipatory policy evaluation can improve legal quality and administrative effectiveness (Sudarya & Prayuti, 2025). Similar observations appear in discussions of regulatory governance that advocate systematic review processes as safeguards against adverse legal consequences (Al Fajri, 2025).

Table 3. Regulatory and Institutional Strategies for Strengthening the Protection of Legitimate Expectations

Reform Area	Proposed Measure	Expected Legal Effect	International Relevance
Regulatory Harmonization	Vertical and horizontal alignment	Greater certainty	Consistent with FET
Regulatory Impact Assessment	Ex ante regulatory review	Reduced unpredictability	Good regulatory governance
Institutional Reform	Stronger investment coordination	Better implementation	Administrative reliability
Investment Agreements	Stabilization and compensation clauses	Enhanced investor confidence	International investment practice

Source: Constructed by the author based on doctrinal synthesis of Kingsbury and Schill (2010), Schreuer (2008), Perrone (2022), and Imanuddin (2023).

The reform measures summarized in Table 3 illustrate that effective investor protection depends upon the interaction between regulatory design and institutional performance. Comparative legal analysis indicates that legal certainty is strengthened when harmonized regulation, administrative coordination, and contractual safeguards operate within a coherent governance framework. These measures correspond closely with internationally recognized standards of good regulatory governance and responsible investment administration (Perrone, 2022). The table also demonstrates that investor protection may be enhanced without limiting the legitimate regulatory authority of the state.

Institutional reform constitutes another essential component of strengthening investor protection within Indonesian investment law. Effective coordination among investment related institutions can improve consistency in administrative practice and facilitate more predictable regulatory outcomes. International investment jurisprudence frequently recognizes the significance of administrative reliability in maintaining confidence between investors and host states (Schreuer, 2008). Stronger institutional coordination may therefore function as a preventive mechanism that minimizes the emergence of investment disputes.

The enhancement of investor protection mechanisms should also include accessible administrative remedies and structured dispute prevention procedures. Contemporary legal scholarship emphasizes that institutional legitimacy is reinforced when investors possess clear avenues for addressing regulatory concerns before disputes escalate into formal proceedings (Fauzan & Wahyuni, 2026). This approach reflects broader developments in international investment law that encourage constructive engagement between investors and host states rather than excessive reliance on adversarial dispute settlement (Perrone, 2022). Administrative dialogue mechanisms may consequently strengthen both regulatory effectiveness and investor confidence.

Further normative development may be achieved through the modernization of investment agreements incorporating stabilization clauses and compensation mechanisms. Such provisions seek to preserve the balance between legitimate regulatory sovereignty and the protection of investor reliance interests arising from governmental commitments. Bilateral investment treaty reform initiatives increasingly recognize the importance of carefully calibrated safeguards that accommodate both public policy objectives and investment protection requirements (Imanuddin, 2023). Similar balancing approaches have been discussed within broader debates concerning investment law, human rights obligations, and regulatory authority (Ratner, 2022).

The doctrinal analysis ultimately supports a multidimensional reform model combining regulatory harmonization, evidence based legislative review, institutional strengthening, and modernized investment agreements. International legal practice demonstrates that durable investor protection is achieved not through rigid restrictions on governmental authority but through transparent and predictable governance structures (Mercurio & Upreti, 2022). Contemporary Indonesian investment policy likewise requires a balanced framework capable of preserving regulatory autonomy while maintaining investor confidence in legal commitments (Sahab et al., 2025). Such a framework provides a normative pathway for strengthening the protection of legitimate expectations within Indonesia's evolving investment regime.

CONCLUSION

This study demonstrates that the protection of foreign investors' legitimate expectations under Indonesian investment law remains normatively recognized yet insufficiently institutionalized within the domestic regulatory framework. The analysis reveals that legal certainty principles embedded in investment legislation provide an indirect foundation for investor protection, although explicit recognition of legitimate expectations remains limited when compared with international investment law standards. Regulatory uncertainty emerges as a significant challenge because regulatory inconsistency, overlapping norms, implementation disparities, and transitional governance mechanisms weaken predictability, stability, and transparency that investors reasonably rely upon when making investment decisions. The examination of the Job Creation Law and the Risk Based Business Licensing framework indicates that regulatory reform has improved administrative efficiency while still generating interpretative and implementation challenges that affect investor confidence. Comparative analysis further identifies a normative gap between Indonesian regulatory practice and international standards of Fair and Equitable Treatment concerning investor reliance and regulatory stability. Strengthening the protection of legitimate expectations therefore requires coherent regulatory harmonization, systematic regulatory impact assessment, enhanced institutional coordination, and the incorporation of stabilization and compensation mechanisms capable of balancing regulatory sovereignty with investor protection. Such reforms would contribute to a more predictable investment environment while reinforcing Indonesia's alignment with contemporary principles of international investment governance.

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