

Direct Distribution Regulation by Foreign Direct Investment in the Trade Sector: A Comparative Study Between Indonesia and Singapore

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Abstract: *This research aims to analyze and compare the regulations governing foreign direct investment in direct distribution activities within the trade business sector, specifically between Indonesia and Singapore. The phenomenon of direct distribution by foreign investors poses challenges for domestic businesses, particularly micro, small, and medium enterprises, as it has the potential to create competitive disparities. In Indonesia, direct distribution activities by foreign direct investment are subject to the provisions of Law Number 25 of 2007 on Investment, which has undergone partial amendments through several subsequent regulations. However, the implementation of these regulations has not fully reflected protection for domestic businesses. Meanwhile, Singapore adopts a more liberal approach to foreign direct investment but maintains oversight mechanisms through specific authorities and administrative requirements for foreign companies. This study seeks to address one key issue: what are the fundamental differences in the regulatory approaches of Indonesia and Singapore toward direct distribution by foreign direct investment? The research employs a normative or doctrinal method with a comparative approach. Secondary data were obtained from applicable laws and regulations, legal literature, and institutional policies in both countries. The findings indicate that Singapore emphasizes ease of market access for foreign direct investment with minimal sectoral restrictions, whereas Indonesia operates within a framework of selective protectionism that lacks consistency. Therefore, there is a need for reconstructing foreign direct investment regulations in Indonesia that are not only pro-investment but also promote economic justice and sustainable national development.*

Keywords: *Foreign Direct Investment; Distribution; Business; Trade; Comparative Study.*

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INTRODUCTION

The increasingly widespread phenomenon of economic globalization has brought significant changes to the dynamics of international trade and cross-border investment flows. One manifestation of this economic globalization is the growing role of foreign direct investment in various strategic sectors, including the trade sector. Foreign direct investment plays an important role in driving or accelerating economic growth, creating employment opportunities, and strengthening the transfer of technology and management.¹

In line with these global dynamics, Indonesia is currently shaping its future to realize its aspiration of becoming a welfare state by setting a grand vision to become a developed country and the world's fifth-largest economy by 2045 through the "Golden Indonesia 2045" concept.² In support of this grand vision, the 7th President of the Republic of Indonesia has enacted Law Number 59 of 2024 concerning the National Long-Term Development Plan for 2025–2045. In this law, the vision of "Golden Indonesia 2045" is defined as a depiction of the ideal condition aspired to by the entire Indonesian nation in commemoration of the centennial of its independence.

In order to realize this aspiration, Indonesia needs to promote consistent and inclusive economic growth. Foreign direct investment is one of the main instruments proven to be effective in accelerating development in many countries. Indonesia itself possesses several advantages that can attract foreign investors, such as its abundant natural resources, a large labor force, and a strategic geographical location, all of which make Indonesia an appealing destination for foreign investment.³

In the context of national development, investment through capital investment plays a crucial foundational role. In general, investment is divided into two forms: domestic direct investment and foreign direct investment. Both types of investment hold equally important roles and significantly influence a country's economic growth.⁴ Domestic direct investment reflects the strength of the domestic economy, while foreign direct investment brings in technology, capital, and international market networks that can enhance the competitiveness of Indonesia's economy. Therefore, balanced and proper management of both domestic direct investment and foreign direct investment is a vital part of a sustainable development strategy.⁵

¹ Hal Hill, *The Indonesian Economy*, Second Edi. (United Kingdom: Cambridge University Press, 2000).

² Maimunah Maimunah, Muliahadi Tumagor, dan Suwito Suwito, "Strategi Diplomasi Perdagangan Dan Investasi Menuju Indonesia Emas 2045," *EKONOMIKA45 : Jurnal Ilmiah Manajemen, Ekonomi Bisnis, Kewirausahaan* 11, no. 2 (Mei 22, 2024): 980–998, <https://jurnaluniv45sby.ac.id/index.php/ekonomika/article/view/2604>.

³ Jihan Karina Putri et al., "Peran Penanaman Modal Asing Dalam Membangun Perekonomian Di Indonesia," *Journal of Social Research* 1, no. 3 (2022): 201–212.

⁴ Reza Lainatul Rizky, Grisvia Agustin, dan Imam Mukhlis, "Pengaruh Penanaman Modal Asing, Penanaman Modal Dalam Negeri Dan Belanja Modal Terhadap Pertumbuhan Ekonomi Provinsi Di Indonesia," *Jurnal Ekonomi dan Ekonomi Studi Pembangunan* 8, no. 1 (Maret 2, 2016): 9–16, <http://journal.um.ac.id/index.php/jesp/article/view/5265>.

⁵ Ravita Kharb et al., "The relationship between investment determinants and environmental sustainability: Evidence through meta-analysis," *The Quarterly Review of Economics and Finance* 94 (April 2024): 267–280, <https://linkinghub.elsevier.com/retrieve/pii/S1062976924000188>.

The role of foreign direct investment is not limited to providing financial capital but also includes the transfer of technology, opening access to global market networks, the application of modern management practices, and the creation of jobs that support the enhancement of national productivity.⁶ This contribution positions foreign direct investment as one of the key actors in driving long-term development, including efforts to realize the Golden Indonesia 2045 vision. One of the sectors significantly influenced by the presence of foreign direct investment is the trade sector, as it plays a crucial role in facilitating the flow of goods and services, both domestically and internationally.⁷ Nevertheless, the presence of foreign direct investment in the trade sector must be managed carefully to ensure it does not conflict with national interests. Firm and adaptive regulations are required, especially regarding distribution activities by foreign direct investment. Clear regulation is essential to maintain a balance between attracting investment and protecting the competitiveness of domestic businesses.⁸ Therefore, an examination of the regulations governing direct distribution practices by foreign direct investment in the trade sector becomes highly relevant as part of the strategy to safeguard economic sovereignty in the era of globalization.

The main issue examined in this paper is formulated as a question: What are the fundamental differences in regulatory approaches between Indonesia and Singapore

regarding direct distribution by foreign direct investment? This problem statement arises from the fact that Indonesia and Singapore have different economic, social, and policy backgrounds, resulting in distinct regulatory models. Indonesia still faces challenges in aligning foreign direct investment regulations with the protection of local businesses and national interests, while Singapore has successfully managed foreign direct investment with a more systematic and focused approach. Therefore, it is important to explore and compare how these two countries frame regulations on direct distribution by foreign direct investment, particularly in the trade sector. This problem formulation will serve as the starting point for analyzing the strengths and weaknesses of each approach, as well as how Indonesia can adapt strategies from Singapore's investment policy.

This paper is primarily written to analyze the regulatory differences between Indonesia and Singapore regarding direct distribution by foreign direct investment in the trade sector. Additionally, it aims to identify regulatory aspects that influence the effectiveness of foreign investment management and to examine the potential adoption of relevant Singaporean policies for the Indonesian context. In the long term, this paper seeks to encourage the formation of more adaptive and equitable investment regulations to support Indonesia's aspiration to become a developed country by 2045.

Direct distribution activities by foreign direct investment have become an

⁶ Elvira Torlak, *Foreign Direct Investment, Technology Transfer, and Productivity Growth in Transition Countries Empirical Evidence from Panel Data*, University of Göttingen Working Papers in Economics 26, University of Göttingen, Department of Economics., cege Discussion Papers (Göttingen, 2004).

⁷ Kementerian Perdagangan Republik Indonesia, "Investasi PMA Berdasarkan Sektor," Kementerian

Perdagangan Republik Indonesia, last modified 2024, <https://satudata.kemendag.go.id/data-informasi/perdagangan-dalam-negeri/investasi-pma>.

⁸ Priyanka Kher dan Maximilian P. Eltgen, *Investment Rules in Developing Countries: Trends and Approaches* (Washington DC: World Bank Group, 2021).

increasingly important issue to discuss in the context of business competition and local economic protection. Direct distribution means that foreign companies can deliver their goods or services directly to consumers without going through local distributors. On one hand, this provides efficiency and full control for foreign investors over their supply chain and product marketing. On the other hand, this practice can threaten the existence of local distributors who may not have comparable capital strength and technology. In Indonesia, this issue has become more prominent along with the increasing number of foreign companies operating in the trade sector and distributing their products directly.

In Indonesia, foreign direct investment operating in the distribution sector is not permitted to sell their products directly to end consumers. Instead, they are required to appoint domestic distributors owned by Indonesian citizens. This provision is regulated under Government Regulation Number 29 of 2021 concerning the Implementation of Trade and Minister of Trade Regulation Number 24 of 2021 concerning Guidelines for the Development and Guidance of Goods Distribution Business Actors. These regulations aim to provide protection for domestic business actors from unfair competition with foreign companies, which generally have advantages in terms of capital and technology. Meanwhile, Singapore has previously established clear limits regarding who is allowed to conduct distribution activities and in which sectors.⁹ The country employs a sectoral and institutional approach to regulate distribution, thereby maintaining a balance between

investment openness and the protection of local business actors.¹⁰ Therefore, a more in-depth study is needed on how Indonesia can learn from Singapore in formulating policies on direct distribution by foreign direct investment in a more effective and sustainable manner.

Foreign direct investment plays a strategic role in driving economic growth, especially in developing countries like Indonesia. Foreign direct investment contributes to closing the development financing gap, increasing national production capacity, and expanding access to international markets. Moreover, the presence of foreign direct investment can accelerate technology transfer and improve the quality of human resources through the transfer of knowledge and skills. In the trade sector, foreign direct investment encourages innovation in distribution systems, enhances logistics efficiency, and strengthens connectivity between regions and markets. However, if not properly regulated, the dominance of foreign business actors can disrupt the competitiveness of domestic businesses, particularly micro, small, and medium enterprises. Therefore, regulatory policies are needed to balance openness to foreign investment with the protection of national interests. In this regard, Indonesia needs to adopt a more selective and comprehensive regulatory approach, as has been implemented by developed countries such as Singapore.¹¹

METHOD

This research is a normative study or doctrinal legal study, which is a type of study

⁹ Philipp Reinhold, "The New Significant Investments Review Act of Singapore – Some Insight and Lesson for Europe," *CELIS Institute*, last modified 2024, [https://www.celis.institute/celis-blog/the-new-](https://www.celis.institute/celis-blog/the-new-significant-investments-review-act-of-singapore-some-insights-and-lessons-for-europe/)

[significant-investments-review-act-of-singapore-some-insights-and-lessons-for-europe/](https://www.celis.institute/celis-blog/the-new-significant-investments-review-act-of-singapore-some-insights-and-lessons-for-europe/).

¹⁰ Ibid.

¹¹ Ibid.

that relies on literature review, focusing on the analysis of secondary legal materials. Normative legal research is used to examine written legal norms, legal principles, and doctrines developed within legal science, in order to formulate answers to the legal issues raised.¹² According to Peter Mahmud Marzuki, normative legal research is a process of discovering legal rules, legal principles, and legal doctrines to address the legal problems encountered. In this context, the research is conducted through the review of primary legal materials, such as legislation, and secondary legal materials, such as academic literature, legal journals, and expert opinions.¹³ The data collected are sourced from legal literature materials, including primary legal materials such as laws and their implementing regulations, as well as secondary legal materials for support.¹⁴ All of this data is then analyzed qualitatively using a descriptive-analytical approach, aimed at systematically and thoroughly describing legal phenomena and evaluating the conformity of norms with actual practices.

Furthermore, this paper also employs a comparative law approach to examine and compare the laws of one country with those of another.¹⁵ In this context, the comparative approach is aimed at examining how direct distribution by foreign direct investment is regulated in Indonesia and Singapore. This approach is important for identifying differences in regulatory models, the effectiveness of their implementation, and potential policy lessons that Indonesia can adopt. By using this approach, a more

comprehensive and contextual analysis can be drawn to understand the dynamics of foreign direct investment distribution regulations in the trade sector. Through these methods and approaches, this paper is expected to provide answers to the proposed problem formulation, while also making an academic contribution to the development of legal science, particularly in the fields of investment law and trade law.

ANALYSIS AND DISCUSSION

Singapore is one of the countries that has successfully made foreign investment a main pillar of its economic development. Despite its small territory and limited natural resources, Singapore has managed to build a strong, advanced, and globally competitive economy. This success is inseparable from the government's strategic decision to widely open its doors to foreign investment, but with strict and measured regulations. Since gaining its independence, Singapore has demonstrated extraordinary ability in leveraging the dynamics of globalization as a tool to accelerate national economic development. The country has consistently taken strategic steps to integrate itself into the global economic system, with the aim of strengthening its position as a center of international economy and trade.¹⁶

One of the main strategies implemented by Singapore is promoting the inflow of foreign direct investment as the primary driving force of industrialization. By creating a conducive investment climate, political stability, and excellent infrastructure, the

¹² Peter Mahmud Marzuki, *Penelitian Hukum: Edisi Revisi*, 19 ed. (Jakarta: Prenada Media Group, 2019).

¹³ Ibid.

¹⁴ Andre Kiemas, Juan Matheus, dan Ariawan Gunadi, "Redefining Bankruptcy Law: Incorporating the Principle of Business Continuity for Fair Debt Resolution," *Rechtsidee* 11, no. 2 (Desember 6, 2023):

1–18, <https://rechtsidee.umsida.ac.id/index.php/rechtsidee/article/view/996>.

¹⁵ Marzuki, *Penelitian Hukum: Edisi Revisi*.

¹⁶ Shandre Thangavelu, *Singapore Chronicles: Trade & Investment* (Singapore: Straits Times Press, 2018).

Singaporean government has successfully attracted multinational companies to invest their capital in various strategic sectors. This foreign direct investment then becomes an important catalyst for the growth of the industrial sector, job creation, and overall enhancement of economic competitiveness.¹⁷

Additionally, in an effort to support labor needs and balance demographic dynamics, Singapore has also implemented targeted immigration policies, particularly by attracting immigrants from India and China. These policies are aimed not only at increasing the domestic population but also at bringing in competent and highly skilled human resources, which in turn directly contribute to national economic productivity and innovation.¹⁸

Equally important, Singapore has also adopted an export-oriented economic development strategy. By making the export sector the backbone of its economy, the country has been able to expand the market for its products to various parts of the world, increase foreign exchange earnings, and strengthen its economic structure in the long term.¹⁹ The combination of these strategies has enabled Singapore to achieve strong, stable, and sustainable economic growth for more than four decades. This planned and responsive approach to global changes has made Singapore one of the countries with the best economic performance in the Asia region, and even in the world.²⁰

The rapid pace of industrialization in Singapore has also driven an increased demand for human resources with high global competitiveness. Along with the shift in economic structure toward higher value-added sectors such as technology, finance, and

advanced services, there has been a surge in demand for skilled labor. New jobs emerging in the modern industrial era increasingly require specialized skills that can support and complement technological advancements. However, the speed of this transformation does not always align with the domestic labor market's ability to supply a sufficient number of workers with the appropriate skills.²¹

In this context, the main challenge faced by Singapore is the skills gap, which refers to the mismatch between the skills possessed by the local workforce and those required by the industry. To address this gap and maintain economic competitiveness, the government and industry players in Singapore heavily rely on foreign workers with specific expertise. These foreign workers are expected to fill strategic positions and support the activities of multinational companies operating in the country.²²

One of the strategic measures taken by the Singaporean government to strengthen domestic capacity is by providing various fiscal incentives aimed at attracting multinational companies to invest and innovate within the country. For example, there are policies that reduce or exempt the obligation to pay withholding tax on payments to foreign parties, such as interest and royalties. These incentives not only create a competitive investment climate but are also designed to encourage technology transfer and innovation from foreign companies to Singapore's industrial ecosystem. Thus, although not directly mandating technology transfer, the Singaporean government has successfully created an environment that naturally supports this process through market mechanisms and smart policy incentives.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

²¹ Ibid.

²² Ibid.

In Indonesia, investment regulations are generally governed by Law Number 25 of 2007 concerning Investment, which has undergone various adjustments. This regulation provides space for foreign investors to invest in various sectors, including trade, with certain conditions. However, in its implementation, regulations regarding direct distribution by foreign direct investment remain relatively open and tend to be less selective. This has the potential to disrupt local business actors, especially domestic distributors who do not have comparable competitiveness.²³

Unlike Indonesia, Singapore does not have a specific law on investment but instead uses a sectoral approach regulated by agencies such as the Singapore Economic Development Board and the Monetary Authority of Singapore.²⁴ Singapore's foreign investment policies are regulated through various administrative regulations and flexible yet firm fiscal policies, tailored to sectoral needs and the country's strategic direction. This approach allows Singapore to respond more quickly to global dynamics and avoid regulatory overlap. The differences in regulatory structures are a key point in the comparative study discussed in this paper.

The fundamental difference between Indonesia and Singapore in regulating foreign direct investment, particularly in direct distribution activities, lies in the principle of the approach used. Indonesia tends to adopt a

formalistic and legalistic legal approach, where regulations are set out rigidly in the form of laws and government regulations. Although this approach provides legal clarity, it is often insufficiently flexible to respond to the highly dynamic changes in the global economic conditions.²⁵

In contrast, Singapore applies a more adaptive, pragmatic, and sector-based policy approach. The Singaporean government conducts periodic evaluations of foreign direct investment policies and adjusts regulations according to technological developments, market needs, and potential socio-economic impacts. This approach allows the government to respond quickly to new challenges and opportunities while minimizing economic risks arising from the dominance of foreign investment in certain sectors.²⁶ By understanding this fundamental difference in principles, it becomes easier to see how foreign direct investment regulations in both countries impact the domestic market structure and the strengthening of national competitiveness.

Conducting a comparative study between Indonesia and Singapore regarding regulations on direct distribution by foreign direct investment is very important to identify effective and relevant policy patterns. This study does not aim to directly imitate what Singapore has done, but rather to examine the fundamental principles that Indonesia can adapt according to its national context. Each

²³ Deloitte, "Wooing foreign direct investment into Singapore - what role do tax incentives play?," Deloitte, last modified 2024, <https://www.deloitte.com/southeast-asia/en/services/tax/perspectives/wooing-fdi-into-singapore.html>.

²⁴ Thangavelu, *Singapore Chronicles: Trade & Investment*.

²⁵ Andanu Raditya, "Peran Pemerintah Indonesia untuk Meningkatkan Perlindungan Hukum bagi Investor Asing Melalui Klausul Persetujuan Peningkatan dan

Perlindungan Penanaman Modal (P4M) antara Indonesia-Singapura (2024).," *Jurnal Ilmu Hukum, Humaniora dan Politik (JIHHP)* 4, no. 4 (2024): 567–578.

²⁶ Kim Song Tan dan Manu Bhaskaran, "THE ROLE OF THE STATE IN SINGAPORE: PRAGMATISM IN PURSUIT OF GROWTH," *The Singapore Economic Review* 60, no. 03 (Agustus 3, 2015): 1550030, <https://www.worldscientific.com/doi/abs/10.1142/S0217590815500307>.

country has different conditions and interests, but lessons from the successes of other countries can serve as valuable references in designing better policies.

The significance of this study lies in its effort to promote a more targeted and responsive investment regulatory reform in Indonesia in the face of global challenges. By examining how Singapore successfully maintains a balance between investment openness and national economic protection, Indonesia is expected to develop a regulatory model that is not only investor-friendly but also supports long-term development and the welfare of its people. For the reform to be effective, it requires the fulfillment of three main elements: juridical, sociological, and philosophical. These three elements aim to ensure that every policy formulated by the government can foster trust from investors, both foreign and domestic, in the integrity of the capital market.²⁷

Direct distribution by foreign direct investment plays an important role in optimizing the global value chain. Through direct distribution, foreign companies can control the flow of goods and services from production to the end consumer without local intermediaries. This allows the companies to manage inventory, marketing, and customer service more effectively and efficiently.

In the increasingly advanced era of globalization, this capability becomes a key competitive advantage, especially in the trade sector. However, the practice of direct distribution also poses challenges, particularly for local businesses that must compete with the substantial capital and sophisticated

technology owned by foreign companies. Therefore, regulations governing direct distribution must be able to balance the interests of foreign investors and domestic businesses to create a healthy and sustainable business ecosystem. In this context, a comparative study between Indonesia and Singapore becomes highly relevant to understand how the two countries manage these dynamics with different approaches.

Indonesia, as a developing country, still faces various challenges in managing foreign direct investment, especially concerning direct distribution. Existing regulations tend to be general and have not specifically governed how foreign companies can conduct direct distribution without sidelining the interests of local distributors. This creates an imbalance that potentially hinders the growth of micro, small, and medium enterprises, which are the backbone of the national economy. On the other hand, foreign investors seek legal certainty and ease of doing business so that their investments can grow optimally. Therefore, Indonesia needs policies that are not only protective but also pro-investment, with clear regulations regarding the rights and obligations of both foreign and local business actors. Improving the effectiveness of direct distribution regulations is crucial for Indonesia to optimally leverage investment opportunities while maintaining a healthy competitive climate in the domestic market.²⁸

Singapore implements a different regulatory mechanism to manage foreign direct investment and direct distribution. The Singapore government adopts a flexible and sectoral system, where rules and policies can

²⁷ Jhoni Lie, Gunardi Lie, dan Moody Rizqy Syailendra Putra, "Lie, Jhoni, and Gunardi Lie. 'Perlindungan Hukum Terhadap Investor Dalam Transaksi Pasar Modal Akibat Praktik Penipuan.' *Jurnal Ilmu Hukum Prima* 6, no. 2 (2023): 234-245.," *Jurnal Ilmu Hukum Prima* 6, no. 2 (2023): 234-245.

²⁸ Alysha Fairuz Azura Kulzum, Soesi Idayanti, dan Kanti Rahayu, "Problematika Hukum Peningkatan Investasi Asing Di Indonesia (Legal Problems of Increasing Foreign Investment in Indonesia)," *TRAKTAT: Jurnal Hukum Ekonomi Dan Bisnis* 1, no. 1 (2024): 37-60.

be adjusted according to market conditions and industry needs. Additionally, Singapore emphasizes the role of active supervisory agencies to ensure that foreign investments align with national interests. One of Singapore's keys to success is the emphasis on technology transfer and the enhancement of local human resource capacity, which are mandated as part of investment agreements.²⁹ With this mechanism, direct distribution by foreign direct investment is not only focused on economic profit but also on national capacity building and innovation. This regulatory pattern makes Singapore a country that is very open to foreign investment while still effectively maintaining its economic sovereignty.

Singapore's experience in regulating direct distribution by foreign direct investment offers many lessons for Indonesia, especially in the context of investment policy reform. Indonesia needs to consider strengthening regulations to be more specific and adaptive, including determining strategic sectors open to foreign investment with provisions for knowledge and technology transfer. Additionally, a supervisory institution with adequate authority is required to effectively oversee the implementation of these regulations. Such policy reforms will strengthen national competitiveness while protecting the interests of local businesses, particularly micro, small, and medium enterprises.³⁰ Clear and measurable regulations on direct distribution will also provide legal certainty for foreign investors, thereby improving the investment climate and accelerating national economic development

in line with the vision of Golden Indonesia 2045.

This research is expected to make a significant contribution to the development of legal studies and investment policy in Indonesia, particularly concerning the regulation of direct distribution by foreign direct investment. By employing a comparative study approach between Indonesia and Singapore, this research offers new insights into effective regulatory strategies for managing foreign investment.

Another contribution is providing practical and contextual policy recommendations for Indonesia to optimize the benefits of foreign direct investment while maintaining the sustainability of the national economy. Additionally, this research fills a gap in the literature by focusing on the aspect of direct distribution by foreign direct investment in the trade sector, which has so far received limited attention in academic studies and public policy. Therefore, the findings of this research are important as a reference for policymakers, academics, and business actors in building a better and more equitable investment regulatory system.

Regulations governing direct distribution by foreign direct investment in Indonesia face various complex challenges. One of the main obstacles is the overlapping rules and lack of clarity in implementation, which create legal uncertainty for investors and local business actors. In addition, there is still resistance from certain parties toward market openness, which often results in excessive protectionist policies.

This condition makes it difficult for Indonesia to attract quality and sustainable

²⁹ Shandre Mugan Thangavelu, *Structural Changes and the Impact of FDI on Singapore's Manufacturing Activities*, ERIA Discussion Paper Series (Singapore: Economic Research Institute for ASEAN and East Asia, 2023).

³⁰ Richard C Adam, "Between A Between Attraction and Evasion: Legal Factors Shaping FDI in ors Shaping FDI in Indonesia and Neighboring Countries," *Indonesia Law Review* 15, no. 1 (2025): 87–100.

foreign investment. On the other hand, technological advancements and digital business models are transforming traditional distribution patterns, so existing regulations need to be promptly updated to remain relevant to these dynamics. Ineffective regulatory management can lead to market imbalances and hinder national economic growth.

Therefore, reforming the regulations on direct distribution by foreign direct investment must become a strategic priority to support the vision of Golden Indonesia 2045. As adopted by Singapore, understanding and reflecting on the economic conditions of the past and present within Singapore's legal system, as well as the developments and innovations that occur, will influence and guide the future.³¹

Singapore's regulatory approach to direct distribution by foreign direct investment has strengths that make it a successful example, such as flexibility, adaptability, and policy integration across government agencies. This system enables the Singaporean government to conduct strict oversight without sacrificing investment attractiveness. However, this model also has limitations, such as a high dependency on foreign investors, which could pose risks if there are drastic changes in the global economy. In addition, the stringent oversight mechanisms require highly professional and transparent human resources and institutions. This serves as an important lesson for Indonesia, which still needs to build institutional capacity and human resources to effectively and efficiently implement similar regulations.

The regulation of direct distribution by foreign direct investment is not merely a legal

issue but is also closely related to economic and social aspects. The regulations designed must be able to foster a healthy investment climate while providing protection for domestic economic interests. This involves setting certain limits, such as restrictions on foreign ownership, obligations for technology transfer, and the regulation of fair business competition. Furthermore, the regulations must consider social impacts, such as employment opportunities and the development of local capacities. Striking this balance is key to maintaining economic stability and ensuring that the presence of foreign investment brings optimal benefits to national development. This comprehensive approach presents a distinct challenge in formulating regulations that are both effective and just.

A comparative study between Indonesia and Singapore is very important to explore the differences and similarities in foreign direct investment regulations, especially regarding direct distribution, so that it can be used as material for evaluating and developing future policies. Indonesia can draw valuable lessons from Singapore's experience in managing foreign investment strategically and adaptively. Additionally, this study opens the space to understand how historical factors, culture, and government systems influence investment policies in both countries. Such deep understanding will assist Indonesian policymakers in designing regulations that not only align with national needs but also are capable of competing on the global stage. Thus, this study holds strategic value in supporting sustainable economic development and the achievement of the Indonesia Emas 2045 vision.

³¹ Loo Wee Ling, *Principles of Singapore Business Law*, Third Edit. (Singapore: Cengage Learning Asia, 2019).

CONCLUSION

The fundamental difference in regulatory approaches between Indonesia and Singapore regarding direct distribution by foreign direct investment lies in the principles and policy flexibility employed. Indonesia applies a legalistic and law-centered approach, such as Law No. 25 of 2007, which tends to be general, rigid, and does not specifically regulate direct distribution by foreign direct investment. As a result, regulations in Indonesia are less adaptive to global market dynamics and can create competitive imbalances between foreign and local business actors, especially micro, small, and medium enterprises.

In contrast, Singapore employs a more pragmatic and responsive sectoral and administrative approach, with active roles played by institutions such as the Singapore Economic Development Board and the Monetary Authority of Singapore. This approach allows investment policies to be quickly adjusted in line with technological developments, industry needs, and the strategic direction of the national economy.

To clarify these differences, the following is a brief comparison of the foreign direct investment regulatory approaches in Indonesia and Singapore:

Aspect	Indonesia	Singapura
Form of Regulation	Laws and government regulations (for example: Law No. 25/2007).	No specific law, sector-based regulations.
Regulatory Approach	Rigid and legalistic.	Flexible and pragmatic.

Regulatory Agency	Ministry of Investment & technical agencies.	the Singapore Economic Development Board and the Monetary Authority of Singapore.
Regulatory Flexibility	Low difficult to adapt to global conditions.	High and easily adaptable.
Legal Certainty	There are currently no sanctions regulating foreign direct investment conducting distribution without appointing a domestic investment company.	Clear and well-coordinated.
Distribution by foreign direct investment	Not specifically regulated	Regulated by sector
Technology Transfer	Not mandatory.	Encouraged through fiscal incentives
Attitude toward Globalization	Tend to be reactive	Proactive and strategic
Purpose of Regulation	Attract investment, but protection is still dominant	Attract quality investment & maintain competitiveness.

General Principles of foreign direct investment	Open but selective; micro, small, and medium enterprises are protected.	Widely open, does not restrict foreign ownership
Related Regulations	Law No. 25/2007, Government Regulation No. 29/2021, Regulation Of The Minister Of Trade Number 24/2021.	Broadcasting Act, Newspaper Act, Residential Property Act, SIRA 2024.

The table above illustrates that Singapore’s regulatory approach is more flexible and adaptive, enabling the creation of a more competitive investment climate without sacrificing domestic interests.

Singapore’s flexible and measured regulatory model has created a conducive investment environment without compromising domestic interests. Through fiscal incentives, sectoral oversight, and an emphasis on technology transfer and strengthening local human resources, Singapore has managed to balance market openness with national protection. Meanwhile, Indonesia still requires regulatory reforms that are more adaptive and specific, particularly regarding direct distribution by foreign direct investment, to promote inclusive and sustainable investment growth. This comparative study underscores the importance for Indonesia not merely to imitate Singapore’s model but to adapt its fundamental principles according to the

national context to support competitiveness and the achievement of the Indonesia Emas 2045 vision.

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