



Economic and Socio-Environmental Analysis of the Application of Divestment Obligations for Foreign Investors in Semarang City

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Abstract. The purpose of this study is to analyze the application of divestment obligations for foreign investors in Semarang City from the perspective of Economic Analysis of Law and its impact on the economic and social aspects of society. This study uses a normative legal method with a legislative, historical, and analytical approach, as well as a descriptive analytical method with secondary data obtained through a literature review of regulations, doctrines, and investment law literature. The results show that the divestment policy is capable of strengthening the role of domestic investors, increasing regional income, and opening up opportunities for partnerships between local and foreign businesses, but its effectiveness is not yet optimal due to bureaucratic constraints, regulatory inconsistencies, and weak supervision. From a social perspective, foreign investment has a positive impact in the form of increased employment and technology transfer, but it also causes social inequality and changes in the economic structure of local communities. Therefore, derivative regulations at the regional level, strengthening of investment supervisory institutions, and inclusive partnerships between foreign investors and MSMEs are needed so that divestment policies can run efficiently, fairly, and sustainably for the welfare of the community.

Keywords: Economic Analysis, Social Environment, Foreign Investors

1 Introduction

Investment is the main driver of national economic development, playing an important role in creating growth, opening up employment opportunities, and improving the welfare of the community. In the context of economic globalization, every country is competing to create an attractive investment climate in order to be able to compete at the international level [1].

As a developing country, Indonesia has great potential to attract foreign investment (PMA) due to its rich natural resources and large population [2]. However, FDI involvement needs to be balanced with regulations that protect national interests and local communities [3]. One such regulation is the divestment requirement, which obliges foreign investors to sell a portion of their shares to national parties after a certain period. This policy is intended to prevent foreign parties from gaining complete control over the economy.

Divestment obligations are regulated in various regulations, including Government Regulation No. 20 of 1994 and BKPM Regulation No. 4 of 2021 [4]. These provisions serve as legal instruments to balance foreign investment interests and national economic sovereignty. In practice, the implementation of divestment obligations often raises debates between economic efficiency and the protection of social interests. Foreign investors consider this policy to have the potential to reduce investment interest, while the government asserts it as a strategic step to strengthen the domestic economy.

The city of Semarang, as the center of economic growth in Central Java, is an important location for observing how divestment obligations are implemented at the regional level. With its continuously increasing investment value, Semarang represents the dynamics between global economic interests and local welfare. From the perspective of Richard Posner's Economic Analysis of Law, legal policies should be evaluated based on their economic efficiency and social benefits. This means that laws must be able to improve the welfare of society without causing inequality.

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This approach places law not only as a normative instrument, but also as a means to maximize economic value and social justice. Thus, divestment obligations must be analyzed not only from a legal perspective, but also in terms of their economic impact on society. In addition, social environmental factors are important variables in assessing the implementation of divestment. The presence of foreign investors often brings about social changes, both in work patterns, local economic structures, and social interactions within the surrounding community [5].

In Semarang, the expansion of foreign investment in the manufacturing, logistics, and service sectors has changed the socio-economic landscape of the community. Although it provides employment opportunities, this phenomenon also raises issues of income inequality, environmental pressure, and rapid social transformation. Therefore, this study is important to understand how the implementation of divestment obligations can serve as an instrument to balance economic growth with social and environmental sustainability at the local level.

Economically, divestment has the potential to increase the role of domestic investors in resource management, while also increasing regional revenue. However, from a social perspective, it is necessary to examine how the divestment mechanism affects workers and communities surrounding the investment. The economic approach in law emphasizes efficiency and resource optimization, while the social approach highlights distributive justice and corporate social responsibility towards the community [6]. The two must complement each other.

Analysis of divestment policy cannot be separated from Gustav Radbruch's principles of justice, which include fairness, legal certainty, and utility. In this context, justice must also be interpreted as a balance between economic profit and social welfare. The phenomenon of economic globalization has encouraged openness to investment, but at the same time presents new challenges in the form of economic dependence and the potential for resource exploitation. This requires adaptive regulations that remain oriented towards national interests.

At the local level, the implementation of divestment in Semarang City must be tailored to the characteristics of the region, the social structure of the community, and the readiness of local institutions to oversee its implementation [7]. Evaluation of this policy is important to ensure that divestment is not merely a formal obligation, but actually provides measurable economic and social benefits for the city's community. Using the theory of Economic Analysis of Law, this study attempts to assess the extent to which the divestment policy is capable of creating economic efficiency without neglecting social sustainability.

This approach is expected to bridge legal, economic, and social interests and provide policy recommendations that balance the interests of foreign investors and the local public [8]. Based on this background, it is important to conduct a comprehensive study on the Economic and Social Environmental Analysis of the Application of Divestment Obligations for Foreign Investors in the City of Semarang, in order to produce effective, equitable, and sustainable policy concepts for regional development.

2 Research Method

The research method used in this study of Economic and Socio-Environmental Analysis of the Application of Divestment Obligations for Foreign Investors in Semarang City is normative legal research using a legislative approach, a historical approach, and an analytical approach aimed at examining the application of legal principles related to divestment in relation to the theory of Economic Analysis of Law and its impact on the social environment of the community [9]. This research is descriptive and analytical in nature, systematically and comprehensively describing the concept, implementation, and effectiveness of divestment obligations in Semarang City based on secondary data obtained through library research on legislation, legal doctrine, scientific literature, and relevant previous research results [10]. The collected data is then analyzed qualitatively by examining the content and meaning of the law to determine the economic efficiency, social benefits, and suitability of the implementation of divestment with the principles of justice and legal certainty in sustainable investment development at the regional level.

3 Research Results

The results of the study show that the implementation of divestment obligations for foreign investors in Semarang City has complex impacts, both economically and socially. In general, this policy is considered capable of strengthening the position of domestic investors in controlling the shares of foreign companies operating in the region. However, its effectiveness still depends on the extent to which the local government is able to carry out its supervisory function and ensure that the divestment is carried out in accordance with applicable laws and regulations [11].

From an economic perspective, the divestment obligation contributes positively to increasing regional income through additional taxes, levies, and dividend distributions from companies that have divested their shares. Increased

national share ownership also expands the role of the domestic business sector in participating in productive economic activities. On the other hand, this policy also has the potential to cause resistance from foreign investors who perceive uncertainty regarding long-term returns on capital.

Observations show that most foreign-invested companies in Semarang City are engaged in the manufacturing, logistics, and service sectors [12]. Although these sectors are not directly required to divest as is the case with the mining sector, the local government has begun to pursue partnership schemes in line with divestment principles to strengthen the involvement of local businesses. This scheme plays an important role in transferring some of the economic benefits to the local community [13].

Based on economic law analysis, the divestment policy in Semarang City has not yet fully achieved the level of efficiency idealized in Richard Posner's Economic Analysis of Law theory. Economic efficiency in the context of public policy should be able to create greater prosperity without causing social harm. However, implementation in the field still faces bureaucratic obstacles, a lack of transparency, and weak coordination between relevant agencies.

On the other hand, the social environment shows interesting dynamics. The influx of foreign capital has brought about changes in the social structure of local communities, especially around industrial and investment areas. The increasing demand for labor has indeed provided new economic opportunities, but it has also caused social tensions due to the gap between local and foreign workers, as well as the rising cost of living around industrial areas.

Communities around investment areas in Semarang have begun to experience shifts in values and lifestyles as a result of industrialization [14]. Rapid urbanization has also affected the social order of coastal and suburban communities, which previously depended on the informal sector. This requires responsive social policies to ensure that economic growth does not create new social inequalities.

Interviews with officials from the Semarang City Investment and Integrated Services Agency (DPMPSTSP) show that the local government continues to strive to balance economic and social interests by strengthening the principle of partnership between foreign investors and local businesses [15]. One of the efforts made is to encourage foreign companies to transfer technology and absorb more local workers.

From a legal economics perspective, divestment obligations can be viewed as a form of economic redistribution aimed at creating fairness and efficiency. However, the principle of wealth maximization in Posner's theory has not been fully realized, as the economic benefits of foreign investment still tend to be concentrated in large corporations rather than directly in local communities.

In addition, the study found that there are no derivative regulations at the regional level that specifically regulate the procedures for implementing divestment in the non-mining sector. This has resulted in implementation in Semarang still being dependent on national policies, without taking into account the socio-economic characteristics of the region in depth.

Further analysis shows that an overly formalistic legal approach often fails to capture the social dimensions of investment policy [16]. In fact, the Economic Analysis of Law theory emphasizes the importance of laws that are economically efficient and beneficial to the wider community. Therefore, regional investment laws need to adopt a new paradigm that combines the principles of efficiency with social responsibility.

In the context of the social environment, the results of the study indicate an urgent need to strengthen community involvement in the investment monitoring process. Public participation is expected to reduce social conflicts between foreign companies and local communities, while increasing transparency in the divestment process.

The economic impact of the divestment policy is also felt through the increased capacity of micro and small enterprises (MSMEs) that partner with foreign companies. Several companies in the Tugu and Genuk industrial estates have opened up partnership opportunities with local entrepreneurs to support the production supply chain [17]. This practice is one example of the successful integration of the local economy into the foreign investment system.

However, this study also found that many MSME players do not yet have adequate managerial skills and access to capital to participate optimally. Therefore, local governments need to provide more inclusive policy support so that the economic benefits of divestment can be felt evenly.

The divestment policy implemented through a socio-economic partnership approach has proven to reduce tensions between foreign and national interests [18]. Local communities gain broader economic access, while foreign companies obtain social legitimacy in carrying out their investment activities. In the long term, the implementation of the divestment policy is expected to strengthen regional competitiveness through increased sustainable investment based on economic equality and social preservation. This concept of sustainable investment is in line with the Sustainable Development Goals (SDGs), which emphasize a balance between economic growth, social welfare, and environmental sustainability.

The results of the study also emphasize the importance of harmonization between central and regional policies so that the implementation of divestment can run effectively. Without strong coordination, the implementation of this policy risks creating legal inconsistencies and investment barriers.

On the legal side, regulatory reforms are needed to align with the principles of economic efficiency while taking into account the socio-cultural context of local communities. Investment law reforms based on economic and social analysis can serve as the foundation for the formulation of more adaptive and equitable regulations [19]. Another important finding is that the implementation of divestment obligations in Semarang City has not had a significant impact on community welfare if it is not accompanied by strict supervision and economic empowerment programs for the surrounding community. Synergy between local government, companies, and the community is key to the success of this policy.

Overall, this study concludes that the implementation of divestment obligations in Semarang City has great potential in creating economic efficiency and social balance, but still requires improvements in terms of institutions, regulations, and community participation. The Economic Analysis of Law approach shows that the effectiveness of divestment policies depends on the extent to which the law can be a rational, efficient tool that promotes the social welfare of local communities [20].

4 Conclusion

The conclusion of this study shows that the implementation of divestment obligations for foreign investors in Semarang City is a strategic policy that has an impact on strengthening the regional economy and the dynamics of the social environment of the community. From an economic perspective, this policy is able to increase the role of domestic investors, boost regional income, and open up opportunities for partnerships between local and foreign businesses. However, based on the Economic Analysis of Law approach, the effectiveness of this policy is not yet fully efficient because it still faces bureaucratic obstacles, regulatory inconsistencies, and weak monitoring mechanisms and community involvement. Meanwhile, from a social perspective, foreign investment has a positive impact in the form of increased employment and technology transfer, but it also causes social inequality and changes in the structure of local communities, which need to be balanced with social protection and regional economic empowerment policies. As input for the government, it is necessary to formulate derivative regulations at the regional level so that the implementation of divestment is more adaptive to the socio-economic conditions of Semarang City. The government also needs to strengthen inter-agency coordination, increase the capacity of investment supervisory institutions, and encourage partnerships that is inclusive of foreign investors and local MSMEs to create equitable economic distribution. Thus, the implementation of divestment policies is expected to not only promote economic efficiency but also achieve a balance between economic growth and social sustainability in a sustainable manner.

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