

# EFFORTS OF INDONESIA AND SINGAPORE IN INCREASING FOREIGN DIRECT INVESTMENT (FDI) COOPERATION THROUGH BILATERAL INVESTMENT TREATY (BIT) DURING THE COVID-19 PANDEMIC

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## ABSTRACT

*The Covid-19 pandemic has caused economic uncertainty for world countries, especially Indonesia and Singapore. The two countries experienced a decline in Gross Domestic Product (GDP) income, causing a deficit in the State Revenue and Expenditure Budget (APBN). This has hampered the performance of Singapore's FDI in Indonesia. In overcoming the impact of the pandemic, the two countries made an effort to restore the economy by strengthening investment cooperation through the Bilateral Investment Treaty (BIT). This cooperation is carried out to exchange benefits for the sake of the economic recovery process and mutual support in economic activities. This study aims to find out how Indonesia and Singapore are trying to increase Foreign Direct Investment (FDI) cooperation through the Bilateral Investment Treaty (BIT) during the Covid-19 pandemic. To explain this issue, researchers use the concept of bilateral cooperation as a basis for implementing the agreement and the Harrod-Damor Foreign Direct Investment concept which is an investment strategy in Indonesia. The research results show that the presence of a BIT agreement between Indonesia and Singapore can increase the intensity of FDI cooperation. This is because the BIT provides a clear and strong regulatory framework for investors from both countries so that it becomes a special attraction. Apart from that, to increase investment attractiveness, Indonesia and Singapore have a forum, namely the Indonesia-Singapore Business Council (ISBC). This forum is a forum for promoting domestic business to be better known by investors from Indonesia and other partners affected by the investment made by Singapore. Investment activities can increase the rate of economic growth and generate long-term benefits for the two countries.*

**Keywords: Bilateral Investment Treaty, Foreign Direct Investment, Indonesia, Singapore**

## Introduction

The Covid-19 pandemic has caused many limitations in all aspects of life, especially the economic aspects that can threaten people's welfare. The existence of social restriction regulations issued by governments around the world has caused many people to experience forced layoffs from work, so the unemployment rate has increased. This high unemployment rate can lead to a

decrease in people's purchasing power, so many companies have the potential to experience a decrease in profits and are threatened with bankruptcy.<sup>1</sup>

According to data released by the International Monetary Fund (IMF), the Covid-19 pandemic has caused losses to the global economy with a total of IDR 178,750 trillion and this figure will continue to grow until 2024.<sup>2</sup> This indicates economic uncertainty for world countries, especially Indonesia and Singapore. During the global pandemic, the Gross Domestic Product (GDP) of Indonesia and Singapore reached a minus current, causing a deficit in the State Budget (APBN). The decline in GDP affects the performance of Singapore's Foreign Direct Investment (FDI) to Indonesia, and this certainly has an impact on ongoing investment projects.

The existence of economic uncertainty triggers a decrease in the availability of financing, which can cause delays or termination of investment project financing. In addition, the postponement or termination of the project was affected by travel restrictions, border closures, and mobility limitations caused by Covid-19, making it difficult for companies to move their personnel to Indonesia to start or manage the investment project.<sup>3</sup> To overcome the impact of the pandemic, both Indonesia and Singapore made efforts to encourage economic recovery during the pandemic. The efforts used by the two countries in restoring the economy are in the form of strengthening bilateral cooperation in the investment sector. Investment cooperation between Indonesia and Singapore is a form of bilateral cooperation as an effort to strengthen economic recovery cooperation. Bilateral cooperation begins with the existence of international relations carried out by one country with another country to cooperate in order to achieve national interests so that it can improve several sectors that cannot be fulfilled by their own countries.<sup>4</sup>

Strengthening investment cooperation during the Covid-19 pandemic between Indonesia and Singapore can help improve investment performance, create jobs, and can revive the affected economic sectors, so that this cooperation can overcome the economic decline of the two countries

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<sup>1</sup>Pusat Studi Perdagangan Dunia Universitas Gadjah Mada, *Strategi Pemulihan Ekonomi Berbagai Negara Semasa Pandemi*, in <https://cwts.ugm.ac.id/2022/05/03/strategi-pemulihan-ekonomi-berbagai-negara-semasa-pandemi/> accessed on August 05, 2022 at 20.27 p.m.

<sup>2</sup> Hadijah Alaydrus, *IMF: Pandemi Global Covid-19 Bakal Rugikan Ekonomi Global hingga Rp 178.750 Triliun* in <https://ekonomi.bisnis.com/read/20220121/620/1491635/imf-pandemi-covid-19-bakal-rugikan-ekonomi-global-hingga-rp178750-triliun> accessed on August 05, 2022 at 20.57 p.m.

<sup>3</sup> Ministry of Foreign Affairs of the Republic of Indonesia, *Pandemi Covid-19 dan Dampaknya Terhadap Investasi di Indonesia*, in <https://kemlu.go.id/portal/id/read/2126/berita/pandemi-covid-19-dan-dampaknya-terhadap-investasi-di-indonesia> accessed on February 27, 2023 at 17.05 p.m.

<sup>4</sup> Sari Dwita Utama, *Politik Luar Negeri Indonesia Selama Konfrontasi Dengan Malaysia*, dalam <http://digilib.unila.ac.id/19860/2/Bab%20II.pdf> accessed on Juny 05, 2022 at 13.08 p.m.

caused by Covid-19. In a press statement conducted by the Coordinating Minister for Economic Affairs, investment is considered to be a driving factor for national economic recovery during the Covid-19 pandemic, especially in foreign investment to build sustainable projects in Indonesia.<sup>5</sup>

FDI cooperation between Indonesia and Singapore can help overcome the limitations of capital and human resources in each country. Singapore can assist Indonesia in terms of technology development and business management, while Indonesia can provide greater market access in the Southeast Asian region. This has had a positive impact on restoring the post-pandemic economies of Indonesia and Singapore and being able to achieve the target of the Sustainable Development Goals (SDGs). Foreign investment is one of the state's tools in accelerating national development and creating jobs so that it can reduce unemployment during the Covid-19 pandemic.

FDI cooperation between Indonesia and Singapore can help overcome the limited capital and human resources that exist in each country. Singapore can assist Indonesia in terms of technology development and business management, while Indonesia can provide greater market access in the Southeast Asian region. This has a positive impact in restoring the economies of Indonesia and Singapore after the pandemic and can achieve the Sustainable Development Goals (SDGs) target. Foreign investment is one of the state's tools in accelerating national development and creating jobs so as to reduce unemployment during the Covid-19 pandemic.

Indonesia is an important partner for Singapore. Indonesia and Singapore are countries located on the Southeast Asian continent and have geographical locations that are close to each other. This is very beneficial for Indonesia and Singapore in establishing cooperation in various fields both economic and investment, social, political, and tourism. As countries that are included in the Association of South East Asian Nations (ASEAN), Indonesia and Singapore have a Blue Print foundation. Blue Print itself adheres to three main pillars, one of which is the economic pillar. Economic pillars include trade in goods and services, investment environment, facilities for the movement of skilled workers and visits by business actors. This pillar is also the foundation for Indonesia and Singapore to carry out bilateral cooperation.<sup>6</sup>

The framework of the bilateral cooperation relationship between Indonesia and Singapore has become the basis for developing a more binding bilateral relationship between Indonesia and

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<sup>5</sup> Kementerian Koordinator Bidang Perekonomian Republik Indonesia, *Singapura Merupakan Salah Satu Negara Mitra Ekonomi Utama Indonesia*, in Press Released HM.4.6/176/SET.M.EKON.3/07/2021

<sup>6</sup> Kementerian Luar Negeri Republik Indonesia, *ASEAN 2025: Melangkah Maju Bersama*, Jakarta Setnas ASEAN, p. 63.

Singapore. This is evidenced by visits between heads of state or heads of government of the two countries which resulted in substantial agreements or agreements in enhancing and developing bilateral cooperative relations between the two countries. One of the agreements signed by the two countries is the Bilateral Investment Treaty (BIT). The agreement is used to strengthen bilateral relations and increase investment cooperation between the two countries.

*Bilateral Investment Treaty* (BIT) in Indonesia, commonly known as the Investment Enhancement and Protection Agreement (P4M), is a form of a cooperation agreement between countries in the economic field, especially in the investment sector. This BIT is also an international agreement containing principles or standards of investment protection to establish a good investment environment for investment activities. Foreign investment is one way of a country can improve the national economy so that national development takes place.

Indonesia signed a BIT with Singapore in 2018, and 2020 which coincided with the Covid-19 pandemic, Indonesia ratified the agreement. Singapore is listed as the country with the largest amount of Foreign Direct Investment (FDI) in Indonesia. Singapore's Foreign Direct Investment in Indonesia increased in the first and second quarters of 2020 when compared to the same period in 2019. Even though the economies of both countries were affected by the Covid-19 pandemic, the value of foreign investment continued to increase. Singapore's total realized FDI value in the first quarter increased by 58% from the same period in 2019 with a value of US\$ 2.72 billion, and in the second quarter, it increased by 14% with a value of US\$ 1.95 billion.

In data released by the Ministry of Investment of the Republic of Indonesia or BKPM, the realization of foreign investment in the 1st Quarter of the period January - March 2020 was again dominated by foreign investment originating from Singapore, with a total investment of US\$ 2.72 billion or equivalent to 40% of the total foreign investment contributing IDR 98.0 trillion and this figure will change at the next quarter or the end of 2020.<sup>7</sup> Singapore's total foreign investment in Indonesia throughout 2020 is US\$ 9.8 billion. This investment increased compared to 2019 of US \$ 6.5 billion. In 2021, Singapore will remain the first investor in Indonesia with an FDI realization of US\$ 9.3 Million. The investment projects built by Singapore in Indonesia totaled 6,934

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<sup>7</sup>Kementerian Investasi / BKPM, *Ini Penyebab Investasi Singapura Meningkat Tajam*, accessed on August 05, 2022 at 13.54 p.m.

projects.<sup>8</sup> That way, Singapore is ranked first as the country with the largest investment realization in Indonesia. Based on the data described above, Singapore's total investment value has consistently increased during 2019-2020. This attracted the attention of researchers to examine Indonesia and Singapore's efforts to increase investment value, especially direct investment for the 2019-2020 period.

This study aims to examine information related to Indonesia and Singapore's efforts to increase FDI cooperation through the Bilateral Investment Treaty (BIT) during the Covid-19 pandemic. This research will emphasize the efforts made by the two countries in establishing cooperation in order to achieve the interests of both countries. This effort aims to produce an investment cooperation relationship between Indonesia and Singapore through the Bilateral Investment Treaty (BIT), particularly in creating good investment flows so as to encourage Singaporean investment in Indonesia in the infrastructure sector, which supports industrial and regional connectivity and can facilitate business actors to carry out economic activities. The point of view used by the author is, the concept of bilateral cooperation and the concept of Foreign Direct Investment (FDI).

## **Research Methodology**

This study uses an exploratory qualitative research method using secondary data from books, journals, official websites (official website of the Investment Coordinating Board (BKPM), official website of Bank Indonesia, official website of the Indonesian Ministry of Economy) and other sources. This method aims to describe the state of the phenomenon.<sup>9</sup>This research, an exploratory research aims to gain broader knowledge about Indonesia and Singapore's cooperation efforts in increasing FDI. Explorative research is also research that seeks to understand the causes of something happening. Exploratory research is also trying to understand new knowledge to find out a problem that is happening.

## **Research and Discussion**

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<sup>8</sup> Article by Dwi Hadya Jayani, *Bukan Tiongkok, Investor Terbesar di Indonesia pada 2021*, in <https://databoks.katadata.co.id/datapublish/2022/01/28/bukan-tiongkok-singapura-investor-terbesar-di-indonesia-pada-2021> accessed on June 13, 2022 at 17.25 p.m.

<sup>9</sup>F. Purba, E., & Simanjuntak, P, *Metode Penelitian*, (Medan: HKBP Nommensen University, 2012)

## **Dynamics of Foreign Direct Investment (FDI) from Singapore to Indonesia before the Covid-19 Pandemic**

Economic growth is an important indicator of the success of a country's development. In realizing good economic development, it is necessary to have developed in all fields, especially in the economic field. The economic development of a country can be carried out in various ways, one of which is through investment activities. Investment is one of the components forming a country's Gross Domestic Product (GDP) after household consumption. Investment is part of the implementation of the national economy in order to increase economic growth, create jobs, promote sustainable economic development, increase technological capacity and capability, and in the framework of realizing people's welfare in an economic system that is competitive.<sup>10</sup>

Foreign Direct Investment (FDI) is a long-term investment activity from one country to another. Investment activities provide benefits for all parties not only for capital owners but also for host countries and countries of origin of capital owners. The flow of FDI in a country during a pandemic can accelerate a country's economic recovery because it receives financial assistance and absorbs labor. It is useful to help a country in the process of national development. Foreign direct investment in a country can improve economic relations between countries and can increase potential benefits for both parties.<sup>11</sup>

The emergence of investment cooperation between Indonesia and Singapore began with the needs of each country. Basically, Indonesia and Singapore have different amounts of resources, territorial area, and economic growth but this does not make obstacles for the two countries in establishing bilateral cooperation. One of the bilateral cooperation between Indonesia and Singapore is investment cooperation.

Indonesia and Singapore in establishing cooperation have a high level of complementarity. Indonesia as a developing country has abundant natural and human resources. Singapore as a developed country has knowledge and high technology as well as economic networks, and large financial resources. This condition makes Indonesia and Singapore need each other. With FDI,

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<sup>10</sup>Ardiana Hidayah, Ardiana Hidayah, *Landasan Filosofis Dan Asas-Asas Dalam Hukum Penanaman Modal di Indonesia*, Solusi 16, No. 3 (2018), p. 216- 217.

<sup>11</sup>Vlora Ryandi, *Mengenal Foreign Direct Investment*, in [www.landx.id](http://www.landx.id) accessed on January 3, 2023 at 21.50.

from Singapore, Indonesia will be helped by production and infrastructure activities and also assistance in the form of technology so that economic growth can develop rapidly.

**Table 1. Dynamics of Singapore's FDI Value Realization to Indonesia Prior to the Covid-19 Pandemic**

No	Year	Total Value of FDI
1.	2014	US\$ 46,350.4
2.	2015	US\$ 55,993.9
3.	2016	US\$ 65,961.1
4.	2017	US\$ 68,219.0
5.	2018	US\$ 66,470.1

*Source: Singapore's Department of Statistics<sup>12</sup>*

According to the data above, it can be seen that the total value of Singapore's foreign direct investment to Indonesia from year to year always increases unless direct investment in 2018 has decreased from the previous year. This is a reasonable condition in the development of economic growth. The decline in Singapore's FDI to Indonesia occurred due to several factors, namely the sentiment of the trade war between the United States and China and the tightening of monetary policy in the United States which had an effect on outflows from emerging market countries.<sup>13</sup>

In overcoming these factors, the Government of Indonesia made an effort to increase Singapore's investment in Indonesia, namely by making a policy that became a guideline to attract Singapore investment, including:<sup>14</sup> *First*, the policy provides legal certainty to investors. *Second*, it provides security from potential criminal interference with investors' valuable assets. *Third*, provide an intensive package of services including, investment

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<sup>12</sup>Department of Statistics Singapore's, in <https://www.singstat.gov.sg/find-data/search-by-theme/trade-and-investment/foreign-direct-investment/latest-data>, accessed on January 9, 2023 at 17.06 WIB.

<sup>13</sup>Kamono, Herman. *The Influence of Foreign Investment and Domestic Investment on Indonesia's Economic Growth*. Journal of Accounting, Volume 12 Number 1, May 2020, p. 137-145.

<sup>14</sup>Pasaribu Rowland, *Investasi dan Modal Ekonomi Indonesia*, (Jakarta: Proyeksi Ekonomi, 2013), p. 56.

agreements, taxation, customs, and territorial security. *Fourth*, maintaining a labor climate that supports sustainable business activities. This policy is very important because it is considered a protector for investors in investing their capital.

Investment from Singapore to Indonesia in the period focused on sectors such as manufacturing, trade, and transportation. Singapore is also investing in infrastructure projects in special economic zones, the construction of Juanda International Airport in Surabaya and the Container Terminal in Tanjung Priok, Jakarta. This positive dynamic shows that Indonesia is one of the important investment destinations for Singapore. This is not only beneficial for the Indonesian economy, but also for bilateral relations between the two countries.

### **The Effect of Increasing Singapore's Foreign Direct Investment in Indonesia as a Form of Bilateral Cooperation during the Covid-19 Pandemic**

Every country in the world cooperates to advance the national economy and strengthen friendships with other countries. In cooperation, there are two important elements. First, the behavior of each actor is directed at some common goal. Second, cooperation gives the parties profitable benefits or rewards.<sup>15</sup>In addition, cooperation has an important role in the existence of a country in the international arena. With cooperation, a country can exchange benefits and support each other in order to achieve the needs of each country. So, with an increase in Foreign Direct Investment it can be seen as a form of bilateral cooperation in the investment sector.

The Covid-19 pandemic has affected all sectors, especially the Foreign Direct Investment (FDI) sector. In 2020, FDI performance experienced considerable pressure. This is due to the Covid-19 pandemic which spread to various countries. Covid-19 has not only triggered a global health crisis, but also triggered a global economic crisis. The increasing spread of the outbreak to various countries forced a number of countries, one of which was Indonesia to implement massive social, transportation and logistics restrictions policies to break the chain of spread. As a result, the global economy is under great pressure from both the supply and

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<sup>15</sup>KJ Holsti, *Politik Internasional*, Kerangka Untuk Analisis, Volume I, 1995.



demand sides, and is faced with increasing economic uncertainty that can slow down the rate of economic growth.<sup>16</sup>

The economy is one of the important things in a country, this is because if the country is hit by a crisis, political stability will be a bet on the continuation of a country's economy. The existence of the Covid-19 pandemic and measures to prevent its spread caused a severe contraction in the world economy. The contracting world economy causes economic activity to run slowly, resulting in lower energy demand and lower commodity prices. The IMF projects that the global economy will shrink by about 4.4% in 2020. The crisis had a significant impact on the economic growth of world countries. The world's Gross Domestic Product (GDP) has decreased dramatically.<sup>17</sup> That's because many people are losing jobs and income widely.

The world economy, especially Indonesia and Singapore, experienced negative economic growth during this pandemic. The Investment Coordinating Board (BKPM) stated that the Covid-19 pandemic is a serious threat that will affect the stability of a country, including in Indonesia and Singapore.<sup>18</sup> In addition, Covid-19 has caused people's purchasing power to decrease, which has an impact on consumption activities and a country's income, so there needs to be encouragement from the government to stabilize this situation. Based on year-on-year calculation data, Indonesia's economic growth in the first quarter of 2020 showed a weakening by only reaching 2.97% compared to the first quarter of 2019 which reached 5.07%. Data in the second quarter also showed a decline in the negative direction of -5.32%.

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<sup>16</sup> Robby Alexander Sirait dan Linia Siska Risandi, *Perkembangan Kinerja Foreign Direct Investment (FDI) dan Hambatannya*, Buletin APBN Vol. V. Ed. 18, 2020

<sup>17</sup> Badan Koordinasi Penanaman Modal, *Pengaruh Covid-19 terhadap Investasi di Indonesia 2020*, in <https://www.investindonesia.go.id/id/artikel-investasi/detail/pengaruh-covid-19-terhadap-investasi-di-indonesia>, accessed on January 31, 16.25 p.m.

<sup>18</sup> Ibid,

**Figure 2. Graph of Indonesia's Economic Growth during the Covid-19 Pandemic**



**Source: Central Bureau of Statistics<sup>19</sup>**

Singapore's economy, during the pandemic, entered a recession in the last quarter. This is due to a decline in income from the business aspect and retail spending due to the closure of access or lockdown. Official data released by Singapore's Department of Statistics shows that Singapore's GDP in the second quarter of 2020 decreased by 12.6% compared to the same period of the previous year.<sup>20</sup>

From the trade side, the economic slowdown occurred both globally and regionally. The value of Indonesia's exports to Singapore as of August 2020 was US\$ 7.42 billion, a decrease of 15.06% compared to the same period in 2019 of US\$ 8.74 billion. Meanwhile, imports until August 2020 were recorded at US\$ 8.187 billion, a decrease of 28.26% compared to the same period in 2019 of US\$ 11.41 billion. By limiting the mobility of human movements, tourism is a sector that is negatively affected. As of June 2020, there were 267,676 people entering Indonesia from Singapore. This figure has decreased by 70.9% compared to the same period in 2019, with 919,863 people.

By looking at the massive effects of Covid-19 on economic activity, especially trade, Indonesia and Singapore are making extraordinary efforts and creating new policies that can

<sup>19</sup> Badan Pusat Statistik, *Pertumbuhan Ekonomi Indonesia Triwulan 1 2020*, in <https://www.bps.go.id/pressrelease/2020/05/05/1736/ekonomi-indonesia-triwulan-i-2020-tumbuh-2-97-persen.html>, accessed on January 31, 2023 at 17.46 p.m.

<sup>20</sup>Department of Statistics Singapore's, in <https://www.singstat.gov.sg/find-data/search-by-theme/trade-and-investment/foreign-direct-investment/latest-data>, accessed on December 19, 2022 at 19.15 p.m.

increase bilateral economic cooperation through other economic channels, namely investment. This is to encourage sustainable economic growth in both countries.

**Tabel 3. Foreign Investment Realization from Singapore to Indonesia during the Covid-19 Pandemic**

Investment Amount		Number of Investment Projects	
2019	2020	2019	2020
US\$6,509.63	US\$ 9.779,10	7.020	15,088

**Source: Central Bureau of Statistics<sup>21</sup>**

The data above shows that Singapore's investment in Indonesia during the Covid-19 pandemic still shows a positive trend despite the significant impact of the pandemic on the global economy. This can be seen from the data released by the Central Bureau of Statistics (BPS) Indonesia in 202. According to the data, Singapore's foreign investment to Indonesia in 2019 to 2020, which coincided with the Covid-19 pandemic, increased. This is because the two countries ratified a bilateral investment treaty.

With the increase in FDI, it can increase the intensity of cooperation between the two countries. Indonesia and Singapore signed the BIT agreement because both countries are in the process of triggering economic growth. Singapore's investment in Indonesia during this pandemic shows a number of sectors that attract the attention of Singaporean investors. Some of these sectors are the infrastructure, technology, electricity, and food and beverage industries.

Judging from the realization of Singapore's Foreign Direct Investment to Indonesia is one of the concrete evidences in advancing the economy and strengthening bilateral cooperation between the two countries through investment activities. The potential for economic cooperation between Indonesia and Singapore in encouraging economic growth continues to be pursued through direct investment activities. Indonesia and Singapore see the potential for increased investment cooperation, especially in the infrastructure, digital economy, smart city,

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<sup>21</sup>Badan Pusat Statistika, *Realisasi Investasi Penanaman Modal Luar Negeri Berdasarkan Negara*, in <https://www.bps.go.id/indicator/13/1843/1/realisasi-investasi-penanaman-modal-luar-negeri-menurut-negara.html> accessed on 20 February 2023 at 13.39 p.m.

and financial technology sectors. This also indicates that investment activities carried out by Singapore towards Indonesia as a form of approach from good neighbor policy that can increase opportunities for mutually beneficial cooperation.

The government in principle always sets the security and safety of its people as a top priority, in addition to maintaining economic stability in the face of the Covid-19 pandemic. One form of the Government of Indonesia's efforts in dealing with the Covid-19 pandemic is by encouraging the formation of cooperation between countries, especially in the investment sector. There is an agreement between Indonesia and Singapore in establishing investment cooperation. Investment is a condition that must be met in order for an economy to achieve strong growth in the long run. Investment will have a double effect on a country's economy, both on the supply and demand sides. Thus, investment is one of the important factors that determine the economic progress of a country. With the conditions of cooperation carried out by Indonesia and Singapore in the field of investment, especially Foreign Direct Investment can increase economic growth through the realization of Foreign Direct Investment.

### **The Significance of Indonesia and Singapore Investment Cooperation through the Ratification of the Bilateral Investment Treaty**

Indonesia and Singapore are two countries that have geographical locations that are close to each other, thus making both cooperate to meet their respective needs. Indonesia and Singapore officially established diplomatic relations since September 7, 1967, which was marked by the opening of embassies in each country.<sup>22</sup> Singapore is one of the closest countries to Indonesia, cooperation between the two countries has long been established and often manifested in various fields, both economic, investment, educational, socio-cultural and security.

Indonesia and Singapore have long established cooperation, this is because these two countries see the shortcomings and advantages of each country that cannot be fulfilled by itself. Indonesia and Singapore are two countries located in the Southeast Asian region that have their own advantages and disadvantages so that they can complement each other. In bilateral cooperation carried out by Indonesia and Singapore has a high level of complementarity.

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<sup>22</sup>Kedutaan Besar Republik Indonesia di Singapura, *Hubungan Bilateral Indonesia dan Singapura*, in <http://www.kemlu.go.id/> accessed on January 04, 2023 at 13.31 p.m.

Indonesia as a developing country has abundant natural and human resources. Singapore as a developed country has knowledge and high technology as well as economic networks, and large financial resources. This condition makes Indonesia and Singapore need each other.

Cooperation in the framework of encouraging increased investment from Singapore entering Indonesia continues to be pursued. The implementation of investment cooperation between the two countries is contained in a cooperation agreement, namely the Bilateral Investment Treaty (BIT). This agreement is a bilateral agreement in the investment sector that is reciprocal between the two countries to provide protection and treatment for investors in each country.<sup>23</sup>Indonesia and Singapore first agreed on a Bilateral Investment Treaty (BIT) in 1990, which coincided with the reign of President Suharto. This BIT is a combination of several collaborations that have been established in the previous year. The cooperation is in the form of cooperation contained in the Batam Agreement and the Riau Agreement. The Batam agreement is an Indonesia-Singapore cooperation agreement in the development of the Batam Special Economic Zone (SEZ). The Riau Agreement is a cooperation agreement within the framework of SIJORI (Singapore, Johor, Indonesia).<sup>24</sup>The 1990 BIT was the forerunner to the birth of the Indonesia-Singapore BIT in the following years.

In 2005, Indonesia and Singapore agreed to review and renew the Bilateral Investment Treaty (BIT), which was signed by the Minister of Foreign Affairs of Indonesia at that time Dr. N. Hasan, with Lim Hang Kiang as Singapore's Minister of Trade and Industry. This BIT has a more complex content compared to the 1990 BIT. The 1990 Indonesia-Singapore BIT regulates more about the protection and promotion of cooperation between Batam and Riau, while the 2005 BIT regulates almost all investment activities of the two countries.

In 2014, the Government of Indonesia terminated and reviewed the entire contents of the Bilateral Investment Treaty (BIT) that had been agreed upon by Indonesia with other countries.<sup>25</sup>This is done because the Government of Indonesia feels that BITs in Indonesia

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<sup>23</sup>Laura Natalia Sembiring, *Urgensi Perjanjian Investasi Bilateral Antara Indonesia dan Negara Lain Dengan Klausula Penyelesaian Sengketa Investor-State Dispute Settlement*, Jurnal Fakultas Hukum Universitas Indonesia, Vol.1 2022.

<sup>24</sup>Ronaldo David Ginola, *Kepentingan Indonesia Menandatangani Bilateral Investment Treaty Dengan Singapura 2018*, JOM FISIP Vol, 7: Edisi II - Desember 2020

<sup>25</sup>Warta Ekonomi, *Indonesia-Singapura Taken Perjanjian Investasi Bilateral*, in [www.wartaeko.com](http://www.wartaeko.com) accessed on December 12, 2022 at 12.11 p.m.

only bring benefits to foreign investors and vice versa for Indonesia. It only gets losses in the event of a dispute. This can be seen when there was a dispute between PT Oleovest from Singapore and PT Nusantara III from Indonesia. The company originating from Singapore, believes that PT Nusantara III has committed a violation against the value of its shares being too low. The dispute was initially settled at the Indonesian Arbitration Board (BANI). However, in this case, the nature of the dispute has not been made public, but the Singaporean company won an arbitration award worth US\$3.4 million in 2014 from an Indonesian oil palm plantation company.

Prior to the existence of the Bilateral Investment Treaty (BIT) agreement, Indonesia and Singapore had conducted investment cooperation through the framework of the ASEAN Comprehensive Investment Agreement (ACIA), which was implemented on March 29, 2012. ACIA is the result of the transition of two previous agreements, the ASEAN Investment Area (AIA) and the ASEAN Investment Guarantee (AIG).<sup>26</sup> ACIA is a comprehensive, forward-looking investment agreement with changing provisions and features based on international best practices to increase intra-ASEAN investment.

ACIA has four pillars, including liberalization, facilities, protection, and promotion.<sup>27</sup> First, liberalization includes articles and provisions related to National Treatment, Most Favored Nations, Prohibition of Performance Requirements, Provisions related to senior management and the board of directors, as well as the ACIA reservation schedule. Second, the facility includes drafting provisions relating to streamlining and simplifying procedures, one-stop service centers, consulting services for the business community, and making rules and procedures more transparent, consistent, and predictable. ACIA is used as the basis for investment agreements in the Southeast Asian region.

In 2018, Indonesia began to re-sign the Bilateral Investment Treaty (BIT) after the renewal and review were completed. Indonesia was the first to sign this agreement with Singapore. This is because Indonesia realizes that Singapore is the largest contributor to investment in Indonesia. Indonesia is currently in cooperation with the development of

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<sup>26</sup>Opcit,

<sup>27</sup> Ridwan, *Margin Apresiasi Harmonisasi hukum Indonesia Dalam Perspektif Empat Pilar ASEAN Economic Community*, Jurnal Penelitian Hukum Supremasi Hukum Vol. 24, No. 2, Agustus 2015

industrial zones and special economic zones with Singapore. So that regulations are needed that can regulate the course of investment in industrial areas, such as what Indonesia did in 1990, where BIT 1990 regulated the Batam industrial area. However, coinciding with the Covid-19 pandemic in 2020, Indonesia-Singapore ratified the agreement.<sup>28</sup> Indonesia and Singapore agreed to ratify the Bilateral Investment Treaty (BIT) which could be a driving force to accelerate the economic recovery of these two countries.

In the agreement, the two countries stated the results and benefits of ratification of the agreement, namely first, as a driving force in accelerating the economic recovery of the two countries. This agreement has the potential to increase investment by 18% -22% in the next five years. Second, this agreement can also generate benefits for both countries. This agreement is the first bilateral investment agreement that came into effect after all BITs were dismissed and then reviewed by the Government of Indonesia. Hence the BIT of Indonesia-Singapore, can become a benchmark and a model for Indonesia's investment agreements with other countries. Third, the BIT is expected to be able to explore profitable business opportunities for these two countries.<sup>29</sup>

With the ratification of the agreement, the realization of Singapore's direct investment in Indonesia has increased. This is evidenced by a report issued by the Minister of Foreign Affairs of the Republic of Indonesia Retno Marsudi, that the value of Singapore's investment in Indonesia in 2019 was only US\$ 6.5 billion, but after ratifying the BIT agreement between Indonesia and Singapore, the total investment realization in 2020 increased to US\$ 9.8 billion. The investment projects built by Singapore in Indonesia totaled 6,934 projects.<sup>30</sup> Foreign Direct Investment (FDI) can help increase economic growth in terms of capital development and employment. The existence of foreign direct investment (FDI) will bring up new sources that can have an impact on people's welfare so that economic growth increases.

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<sup>28</sup> Article by Antara News, *Indonesia-Singapura Ratifikasi Perjanjian Investasi Bilateral*, in <https://www.antarane.ws.com/berita/2033920/indonesia-singapura-ratifikasi-perjant-an-investasi-bilateral> accessed on January 05, 2023 at 11.31 p.m.

<sup>29</sup> CNBC Indonesia, *Apa Kabar Tax Treaty Singapura-Indonesia?* In <https://www.cnbcindonesia.com/news/20210309192529-4-229045/apa-kabar-tax-treaty-singapura-indonesia> accessed on January 9, 2023 at 17.50 p.m.

<sup>30</sup> Article by Dwi Hadya Jayani, Dwi Hadya Jayani, *Bukan Tiongkok, Investor Terbesar di Indonesia pada 2021*, in <https://databoks.katadata.co.id/datapublish/2022/01/28/bukan-tiongkok-singapura-investor-terbesar-di-indonesia-pada-2021> accessed on June 13, 2022 at 17.25 p.m

In addition, the ongoing investment activities between Indonesia and Singapore between Indonesia and Singapore can increase the Ease of Doing Business (EoDM), especially for Indonesia. EoDM is an ease of doing business rating issued by the World Bank, which is used to assess a country's economic condition or foreign direct investment. This indicator is also used by investors as a reference for investing in a country.<sup>31</sup>In 2019, Indonesia was ranked 73rd for ranking in the region. Indonesia is still far from Singapore, which is ranked 1st, and for the world ranking, Singapore is ranked second after New Zealand.

The establishment of a BIT is a form of bilateral economic integration between Indonesia and Singapore. The Bilateral Investment Agreement (BIT) agreed upon by Indonesia, and Singapore is an agreement that contains principles or standards that contain investment protection with the aim of establishing a good investment environment for investment activities. The Bilateral Investment Treaty (BIT) between Indonesia and Singapore of the Agreement between the Government of the Republic of Indonesia and the Government of the Republic of Singapore on the Promotion and Protection of Investment, consists of a preamble and four chapters consisting of 44 articles. Here are the details:

1. *Preambles* : *Opening*
2. *Chapter 1* : *Definitions and Scopes*
3. *Chapter 2* : *Protection*
4. *Chapter 3* : *Dispute Settlements*
5. *Chapter 4* : *Final Provisions*

The BIT agreed upon by Indonesia and Singapore is the first BIT to take effect in Indonesia after all BITs were dismissed, and then a review was carried out by the Government of Indonesia. So that the BIT, Indonesia-Singapore, can become a benchmark and a model for Indonesia's investment agreements with other countries. In general, the BIT signed by Indonesia-Singapore begins with a preamble (opening), which contains the goals of the signatory countries. In this case, Indonesia and Singapore stated their intentions and objectives

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<sup>31</sup>Adrian Corcoran and Robert Gillanders. *Foreign Direct Investment and The Ease of Doing Business*. Review of World Economics 151 (1), 103126. 2012



when making the agreement, namely to create good conditions for investment from investors. Capital of one of the signatory countries within the territory of the other signatory.

### **The Influence of the Bilateral Investment Treaty (BIT) Strategy on Singapore's Foreign Direct Investment (FDI) in Indonesia**

Singapore is a country that has economic strength due to its strategic location on world trade shipping lanes. However, behind that, Singapore is a small country that lacks natural resources and human resources. For this reason, Singapore implemented a strategy to support economic growth through investment activities. Investments made by Singapore are mostly in strategic areas, one of which is Indonesia.

*Foreign Direct Investment (FDI)* is used as an analytical tool to see that investment activity is an effective way to improve a country's economy, especially investment for Indonesia. A country's economic growth can be influenced by several factors, one of which is the existence of a flow of capital which can be in the form of investment. The basic assumptions regarding Foreign Direct Investment, according to Harrod-Domar, explain the requirements needed by a country so that a country's economy can grow and develop.<sup>32</sup> This assumption is a direct result of the development of Keynesian macro theory, which says that investment will improve the economy in the short term. However, in this case, Harrod-Domar expands the assumption that there is a need for capital formation or investment to achieve economic growth.<sup>33</sup>

The dynamics of investment can affect the level of economic growth. It also reflects sooner or later the country's development conditions. This assumption implies that the existence of foreign direct investment (FDI) can help increase economic growth in terms of capital development and creating jobs. The existence of foreign direct investment (FDI) will bring up new sources that can have an impact on people's welfare.

By looking at Foreign Direct Investment (FDI), the investment activities carried out by Singapore in Indonesia are the result of a representation of the substance of the BIT agreed

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<sup>32</sup>Cicy Oktaviana, *Dampak Investasi Asing Langsung (FDI) Terhadap Pertumbuhan Ekonomi Indonesia*, Universitas Islam Indonesia, 2016.

<sup>33</sup>Pawel Kawalec, *The Dynamic of Theories of Economic Growth: An Impact of Unified Growth Theory*, Economics and Business Review (2020)

upon by the two countries, which contain principles or norms that can create a good investment environment. The BIT agreed upon by Indonesia-Singapore regulates four substances, including first, conditions for the admission of foreign investors to the host state. Second, standards of treatment of foreign investors. Third, protection against expropriation. Fourth, methods for resolving investment disputes.<sup>34</sup> The existence of a clear substance in the agreement, it gives more confidence to investors to increase investment activities.

The infrastructure sector is one of Singapore's main focuses in investing in Indonesia. This is reflected in the various major projects undertaken by Singaporean companies in the infrastructure sector located in special economic zones. The infrastructure sector is considered to have a long-term investment. The potential for economic cooperation between Indonesia and Singapore in promoting economic growth continues to be pursued through direct investment activities. The development projects carried out by Indonesia and Singapore have become the basis for the development of more binding bilateral cooperation.

Government of Joko Widodo's, Indonesia strongly encouraged the development of infrastructure and industrial areas, especially industrial areas outside Java. Infrastructure plays an important role as one of the driving wheels of development and economic growth.<sup>35</sup> The existence of adequate infrastructure is very necessary and a very important part of the public service system.<sup>36</sup> Infrastructure development that is labor-intensive and supports industrial and tourism areas in order to be able to provide a large multiplier effect for the national economy. Infrastructure development is an important aspect of economic growth because the existence of good infrastructure also has a good effect on economic growth, so that new jobs are created, as well as reducing poverty levels and increasing per capita income.

Infrastructure development is considered to be an important key in the transformation of the national economy which can bring benefits to the country, first, the adequate infrastructure, can make it easier for business actors to carry out economic activities and

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<sup>34</sup>Jarrod Wong, *Umbrella Clauses in Bilateral Investment Treaties: Of Breaches of Contracts, Treaty Violations, and the Divide Between Developing and Developed Countries in Foreign Investment Disputes*, 14 Geo. Mason L. Rev. 135, 141 (2006), p. 141

<sup>35</sup> Kementerian Koordinator Bidang Kemaritiman dan Investasi, *Rencana Strategis Deputi Bidang Koordinasi Infrastruktur dan Transportasi 2020-2024*, in <https://maritim.go.id/konten/unggahan/2020/10/Renstra-D3.pdf> accessed on January 13, 2023 at 14.05 p.m.

<sup>36</sup>Panjaitan, Hendra Andy Mulia, et al, *Analisis Dampak Pembangunan Infrastruktur Terhadap pertumbuhan Ekonomi Inklusif*, Scientific Repository, IPB University, 2019.

realize cheaper logistics costs. Second, job creation. Where infrastructure development is carried out massively and evenly throughout the archipelago, it is considered effective in opening new jobs for the community. Third, the creation of a new economic regional center.<sup>37</sup> Through infrastructure development, new health insurance can be opened, as well as facilitating existing access to reach certain areas.

Special Economic Zones (KEK) are certain areas within the jurisdiction of the Unitary State of the Republic of Indonesia that are determined to carry out certain economic functions and benefits.<sup>38</sup> The main objective of developing special economic zones is to create economic growth and equity in development by increasing productivity and promoting trade in goods and services.<sup>39</sup> SEZ is also an integration of cooperation between Indonesia and Singapore which, in its implementation, covers the areas of Batam, Bintan and Karimun. The area was developed to maximize export, import and other economic activities that have high economic value. Investment is indeed a very important as a major factor for long-term economic development and growth.

The areas being developed include the Indonesia-Singapore Digital Bridge or KEK Nongsa Digital Park, the Batam-Bintan Infrastructure Bridge (BABIN), and the Travel Bubble Bridge, Kendal Industrial Area (KIK), Tanah Kuning Industrial Area, Kuala Tanjung Industrial Area, Industrial Area Bitung.<sup>40</sup> First, the Indonesia-Singapore Digital Bridge or KEK Nongsa Digital Park is predicted to become a data center development center and center for the development of the digital industry in Indonesia, which can provide benefits to Singapore and neighboring countries. KEK Nongsa Digital Park was inaugurated in March 2021.<sup>41</sup> The Nongsa Digital Park SEZ is expected to be an income source for information technology companies not only from Singapore but for other major countries. When the Nongsa Digital Park KEK is operational, the area is expected to provide potential savings in

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<sup>37</sup> Kementerian Pekerjaan Umum dan Perumahan Rakyat, *Pembangunan Infrastruktur Dorong Pertumbuhan Ekonomi*, in <https://pu.go.id/berita/pembangunan-infrastruktur-dorong-pertumbuhan-ekonomi> accessed on January 13, 2023 at 10.00 p.m.

<sup>38</sup> Dewan Nasional Kawasan Ekonomi Khusus Republik Indonesia, *Peta Sebaran KEK*, dalam <https://kek.go.id/index.php/?peta-sebaran-kek> accessed on Januari 13, 2023 at 11.11 a.m.

<sup>39</sup> Ibid,

<sup>40</sup> Kemenperin RI, *Singapura Perkuat Kerjasama Investasi dan Investasi*, in <https://kemenperin.go.id/artikel/18828/RI-Singapura-Perkuat-Kerja-Sama-Investasi-dan-Vokasi-Industri> accessed on December 25, 2022 at 21.11 p.m.

<sup>41</sup> Ibid.,

state foreign exchange, especially in the digital business sector, with savings of IDR 20-30 trillion/year. This can save the country's foreign exchange because the biggest contribution comes from data centers and international education, which are currently in the Batam area.

*Second*, Batam-Bintan Infrastructure Bridge (BABIN), this bridge serves to improve island connectivity, namely Batam Island, Tanjungsauh Island, and Bintan Island to Singapore.<sup>42</sup>This bridge has a length of 6.4 km and was built in 2022 and was the longest bridge in Indonesia during the Jokowi administration. This bridge also increases direct connectivity between the three islands and Singapore. These three islands have a strategic location which is very close to Singapore, so it can make it easier for businesses to send their products, especially agricultural products originating from the three islands, and then these products are easier to export to Singapore and other countries.

*Third*, The Travel Bubble Bridge, in which during the pandemic, Indonesia and Singapore both experienced heavy constraints and pressure due to Covid-19.<sup>43</sup>This bridge is part of efforts to restore the tourism sector. With the existence of this travel bubble bridge, the Bintan area, which has natural wealth and beauty, has become a Singapore tourism destination in Indonesia. The Travel Bubble Bridge has also implemented a travel arrangement agreement that will make it easier for business people and tourists to travel freely to the Batam, Bintan and Karimun (BBK) areas, taking into account very strict health protocols and under existing monitoring. The work team involved is a team from the Ministry of Economy, Ministry of Foreign Affairs, Ministry of Health, and the Directorate General of Immigration, so it is hoped that the tourism sector will revive with a lot of interest from tourists to visit the BBK area.<sup>44</sup>

In terms of investment, which is the focus of this discussion, which is also viewed through an Islamic view, investment is part of muamalah activities commonly referred to as mudharabah. In general, mudharabah is divided into two, namely mudharabah muthalaqah and mudharabah muqayyadah. Mudharabah muthalaqah is a form of cooperation that gives freedom to mudharib (capital managers) to manage capital in any form of business that can

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<sup>42</sup>Ibid.,

<sup>43</sup>Ibid.,

<sup>44</sup>Ibid.,

bring profits as long as it does not conflict with the principles of shari'ah.<sup>45</sup> Mudharabah muthalaqah is an investment that is free or unbound.<sup>46</sup> Where the manager has the nature of free funds, which means that it has no limits to determine and carry out business.

Mudharabah muqayyadah is a form of cooperation where the owner of the fund gives limits to the fund manager or mudharib regarding the place, method, and object of investment.<sup>47</sup> Mudharabah muqayyadah is a bonded investment in which the capital owner orders the capital manager to first, not mix the fund owner's capital with other funds. Second, do not invest funds in installment sales transactions, without guarantors, or without collateral. Third, it requires capital managers (mudharib) to make their own investments without going through third parties.

In this discussion, investment cooperation carried out between Indonesia and Singapore is included in mudharabah muqayyadah activities. This is because investment flows originating from Singapore to Indonesia are a form of investment that is bound. Investment cooperation between the two countries has been regulated in the Bilateral Investment Treaty (BIT). BIT is a legally binding treaty that stipulates mutual protection and investment promotion in both countries. Investment in Islam should be based on fairness, transparency, and profitability. Investment can be said to be valid if it meets 3 criteria, namely the existence of investors and capital managers, agreement agreements, and transaction objects.<sup>48</sup> Investment in Islam means delaying, storing, managing the utilization of property so as to bring benefits to others.

Islam does not condone the act of hoarding property as mentioned in the Hadith of the Prophet (peace be upon him) narrated by Muslims. Which reads:<sup>49</sup>

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<sup>45</sup> Faris Al Hasni, *Akad Mudharabah Muthalaqah Dalam Praktik Perbankan Islam*, Jurnal Hukum Syariah Universitas Negeri Islam Mataram.

<sup>46</sup> Rizal Yaya, et al, *Akuntansi Perbankan Syariah Teori dan Praktik Kontemporer Edisi 2*, (Jakarta: Selemba Empat, 2014), hlm. 115.

<sup>47</sup> Faris Al Hasni, *Akad Mudharabah Muthalaqah Dalam Praktik Perbankan Islam*, Jurnal Hukum Syariah Universitas Negeri Islam Mataram.

<sup>48</sup> Didiek Ahmad Sepadie, *Sistem Lembaga Keuangan Ekonomi Syariah Cet.1*, (Semarang: PT. Pustaka Rizki Putra, 2013), p.55.

<sup>49</sup> Muslim ibn Hajjaj, Shahih Muslim, dalam Muhammad Fuad 'Abd al-Qadir, *Mawsu'ah al-sunnah al-Kutub al-Sittah wa Syuruthuha*, jilid V (Istanbul: Caori Yayinlari, 1992), p.1227.

حَدَّثَنَا عَبْدُ اللَّهِ بْنُ مَسْلَمَةَ بْنِ قَعْنَبٍ حَدَّثَنَا سُلَيْمَانُ يَعْنِي ابْنَ بِلَالٍ عَنْ يَحْيَى وَهُوَ ابْنُ سَعِيدٍ

قَالَ كَانَ سَعِيدُ بْنُ الْمُسَيَّبِ يُحَدِّثُ أَنَّ مَعْمَرًا قَالَ قَالَ رَسُولُ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ مَنْ

اِحْتَكَرَ فَهُوَ خَاطِئٌ فَقِيلَ لِسَعِيدٍ فَإِنَّكَ تَحْتَكِرُ قَالَ سَعِيدٌ إِنَّ مَعْمَرًا الَّذِي كَانَ يُحَدِّثُ هَذَا

الْحَدِيثَ كَانَ يَحْتَكِرُ

The hadith explains that wealth should not be hoarded but must continue to be used or rotated so as to bring benefits to many people. In this case, the Bilateral Investment Treaty between Indonesia and Singapore focuses on increasing investment as a turnaround in long-term financing in the form of infrastructure projects and other projects. With this funding project, it can bring benefits to the people of Indonesia and Singapore. For the people of Indonesia, many bring temporary job vacancies for Singapore the availability of access to meet the needs of their country.

Then from the explanation that has been explained Foreign Direct Investment according to Harrod-Damor regarding the economic growth of a country that can be triggered through investment activities, in this analysis is that through the Bilateral Investment Treaty is one of Indonesia's strategies in bringing up technology originating from Singapore, improving infrastructure, and absorbing Indonesian workers through funding projects in the development of special economic zones. This is evidenced by several funding projects carried out by Singapore to Indonesia.

The realization of Singapore's Foreign Direct Investment to Indonesia is very useful to open market liberalization so as to generate profits for Indonesia then it can be promoted by Indonesia as a power in the economic sector. That way Foreign Direct Investment that enters a country has an influence on economic growth so that Foreign Direct Investment becomes one of the government's strategies in dealing with economic issues that occur.

## **Projection of Indonesia and Singapore Foreign Direct Investment Cooperation for Economic Recovery**

Indonesia and Singapore have an important and mutually beneficial investment partnership for both countries. Cooperation between Indonesia and Singapore through this agreement is to create economic integration, especially in the investment sector, which has long-term projects. Projected Foreign Direct Investment cooperation between Indonesia and Singapore for economic recovery can provide many benefits for both countries. Some of these projections include: *first*, Improvement of community welfare. FDI cooperation can help improve people's welfare, especially in Indonesia, which is a developing country. Investment and the creation of new jobs can help reduce poverty and improve people's welfare. The existence of FDI Cooperation can help increase investment in sectors that are important for economic recoveries, such as the manufacturing industry, infrastructure, and renewable energy. Bigger investments can create new jobs and help restore the workforce sector that has been affected by the Covid-19 pandemic.

*Second*, Strengthening Bilateral Relations. FDI cooperation between Indonesia and Singapore can help strengthen bilateral relations between the two countries. This investment cooperation can also open up opportunities to establish cooperation in other fields, such as trade, tourism and security. Increase in bilateral trade. FDI cooperation can open new market access for both countries and increase bilateral trade. This can help boost economic growth in both countries and strengthen bilateral economic ties.

*Third*, Technology Deployment. Singapore is one of the most advanced countries in Asia in terms of technology. With the investment from Singapore in Indonesia, new technology can be introduced to Indonesia. This helps improve the quality of products and

services companies offer in Indonesia. *Fourth*, the Development of Human Resources. Investment from Singapore also brings benefits to the development of human resources in Indonesia. In this investment collaboration, Singapore sent experts to assist in the training and development of workers in Indonesia. This helps improve the quality of the workforce and creates better jobs.

## **Conclusion**

Based on the explanation above, it can be understood that bilateral cooperation can give birth to an agreement that can benefit the parties. The Bilateral Investment Treaty (BIT) is a new milestone for Indonesia and Singapore in increasing economic cooperation, especially in the investment sector. The BIT between Indonesia and Singapore has existed since 1990 but has always been renewed by these two countries. The Indonesia-Singapore BIT is a derivative collaboration of the ASEAN Comprehensive Investment Agreement (ACIA). This comprehensive investment agreement is forward-looking with changes to terms and features based on international best practices to increase intra-ASEAN investment. ACIA is used as the basis for investment agreements in the Southeast Asian region,

*Bilateral Investment Treaty* (BIT) between Indonesia and Singapore is important in strengthening investment cooperation between the two countries. BIT provides a clear and stable legal framework for Singapore investors wishing to invest in Indonesia and vice versa. In the BIT, several clauses can affect investment cooperation between Indonesia and Singapore, including *first*, legal protection and security for investors. BIT guarantees that investments from both countries will receive the same legal protection and security in investment partner countries. This will provide legal certainty and minimize risks for investors. *Second*, fair and equal treatment for investors. BIT guarantees that investors from both countries will be treated fairly and equally in investment partner countries. This will minimize the risk of discrimination or unfair treatment for investors from one country. *Third*, the investment dispute resolution mechanism. BIT provides a neutral and transparent investment dispute settlement mechanism for investors. The mechanism is usually international arbitration, ensuring disputes are resolved quickly and efficiently.



With the BIT, it is hoped that it will increase the trust and interest of Singaporean investors to invest in Indonesia and vice versa. In addition, BIT can also minimize investment risks, such as discrimination or unfair treatment by the government and increase the quality and quantity of investment from both countries. The advantages of having a BIT agreement for the two countries are for Singapore, and the BIT is used as an instrument to protect their investors from takeover actions. As for Indonesia, BIT attracts foreign direct investment and increases their trade.

Besides that, investment activities in Islam can provide welfare for the community. This is because the investment activities carried out by Singapore in Indonesia, it can provide a turnaround in long-term financing in the form of infrastructure projects and other projects. This funding project, it can bring benefits to the people of Indonesia and Singapore. For the people of Indonesia, there are many temporary job vacancies in Singapore, providing access to meet the needs of their country. Islam, as a religion of *rahmatan lil-alamin* which does not destroy the earth is one of the factors in the harmony between the benefits and the wisdom of the agreement.

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