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# THE EFFECT OF LEGAL AND POLITICAL ON THE DEVELOPMENT OF FOREIGN INVESTMENT IN INDONESIA

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**Abstract.** Indonesia is a country that is rich in natural potential and is the target of the world market. As a developing country with abundant natural resources that can use a source of funds to advance its economy, it is in dire need of assistance from foreign investors, both in terms of funding and management technology. Indonesia must create a comfortable climate for foreign investors in attracting foreign investors. Because these foreign investors are pretty sensitive to legal and political stability issues and do not want to take risks, the government needs to make policies that make them willing and comfortable to invest their capital. In making these policies, it is inseparable from political members who sit in the state legislature. These legal policies must be able to accommodate the needs of the state for the welfare of its citizens and, on the one hand, must also be able to provide leniency for these foreign investors. Law and politics here very closely relate to influencing the arrival of foreign investors. Politics that have a position more independent from the law will determine the direction of policies and legal products taken. Law acts as a product of current politics.

**Keywords:** business; environment; in the legal-political sector.

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## INTRODUCTION

Indonesia is one of the developing countries in Southeast Asia, which is enough to catch the eye of the world as the Bermuda triangle of the world economy ([Rahayu & Day, 2017](#)). Whether we realize it or not, the developing country of Indonesia is very influential in the path of the world economy; this is because Indonesia is a consumptive country for products produced by producing countries. Indirectly means that these producing countries have a dependence on the marketing of their production goods to Indonesia ([Mohamad, Ramayah, & Puspowarsito, 2011](#)). However, Indonesia's status as a consumptive country is also not very good if left alone because it results in Indonesia's dependence on products produced by other countries. Indirectly, it is the same as being colonized by other countries in the economic field ([King, 2015](#)). Indonesia has tremendous potential to become a developed country because Indonesia has sufficient natural resources. It is only a matter of managing these natural resources to advance the Indonesian economy ([Badia-Miró, Pinilla, & Willebald, 2015](#)).

As a developing country, Indonesia has tremendous potential to become the most developed and prosperous country in the world ([Schweisfurth, 2011](#)). We can see this potential from the abundant natural wealth in the thousands of islands spread across the archipelago. This considerable potential will be more and can contribute to the world if reliable and innovative human resources support it in developing ideas that can make Indonesia a country

recognized by the world ([Fahmi, Koster, & Van Dijk, 2016](#)). Of course, much homework must be done to achieve these goals, starting from the economic, social, cultural, political, and legal are the leading indicators of the prosperity of a nation. Indeed, many aspects can affect economic development, such as social, cultural, political, legal, Etc. ([Chang, 2011](#)). The existence of the Indonesian can be said to have started after Indonesia's independence on August 17, 1945.

Since the year of independence, Indonesia has changed its presidents several times. With this, policies regarding the economy and development have changed as desired by those who have policies ([Rai, 2013](#)). Along with changing policies, Indonesia's economic development direction also experiences fluctuating ups and downs. The main goal of development is to achieve welfare for its people. Following the mandate stated in the constitutional basis of the Indonesian nation, namely the 1945 Constitution of the Republic of Indonesia (UUD 1945) article 33 paragraph (3), which states that the earth, water, and natural resources contained therein are controlled by the state and used for as much as possible. For the welfare of the people. It is apparent in the article that it has been regulated that the state guarantees the welfare of its people by utilizing all the natural resources that exist in Indonesia ([Sugiri & Adiputra, 2011](#)). As time goes by and the country gets older, the government continuously improves development. However, the government's development seems slow compared to the development of other countries, even though Indonesia's natural resources are

relatively abundant and can be used as an economic source ([Yilanci, Aslan, & Ozgur, 2021](#)). In general, there are three stages of economic by a country, from a developing country to a developed country. These stages are the unification stage with an emphasis on how to achieve integration political to create national unity and integrity; the stage is the Industrialization stage with a focus on the struggle for economic development and political modernization, the third stage is the welfare state where the main task of the state is to protect the people from the negative side of industrialization. The country of Indonesia is currently only at the stage of industrialization where the new country is struggling to build the country's economy by focusing on industrialization. The government carries out these developments in all fields. However, no matter how intense the government's efforts are in building the economy if it is not balanced with human resources and reasonable regulations, the economic development carried out by Indonesia will not be fast and robust. Even though the state is willing to develop infrastructure that can improve the economy for the welfare of its people, the capacity of the Indonesian state, which is only at a young age, is not sufficient. Indeed, Indonesia's natural resources are very abundant, but Indonesia does not have human resources that include human resources and technology that can manage these natural resources ([Masrifah & MM, 2020](#)). In the absence of adequate management, the results obtained from this management are also not optimal, even though such management uses a source of funds in

infrastructure development. For this reason, an injection of funding from the private sector, both foreign and domestic, is needed to assist natural resource management and infrastructure development.

The amount of investment in Indonesia depends on the policies that have been made by the government ([Patanakul & Pinto, 2014](#)). Each era of government has its policies regarding investment. In addition to domestic investment, Indonesia also really needs foreign investment, which generally has a reasonably large nominal compared to domestic investment. The policies made by the government also influence the entry of foreign investment. Talking about the policies issued by the government, we will indirectly talk about the legal products of the government's legislative body itself in the form of legislation. In addition to talking about legal products, we also want to talk about politics because it is the legislature that makes laws that are very closely related to politics.

For this reason, the author will review how the influence of law and politics in economic development, especially in terms of foreign investment, and the relationship between law and politics on the entry of foreign investors.

## **METHODS**

In a writing must use the right writing method because it is very necessary and is a guide in order to conduct an analysis of the research data. The characteristic of scientific work in the field of law is that it contains conformity and contains truth that

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can be accounted for.

The type of research used is normative juridical (Legal Research). The definition of normative juridical type research is research conducted by reviewing and analyzing the substance of laws and regulations, literatures that are theoretical concepts on legal issues or issues in consistency and conformity with existing legal principles and norms. The author in this case uses 3 (three) forms of problem approach, namely the statutory approach, conceptual approach, and case approach which are described as follows:

1. The statute approach, which is an approach that is carried out by examining all laws and regulations that are related to the legal issues being faced.
2. Conceptual approach, is an approach that moves on the views and doctrines that develop from the science of law, so that by studying the views and doctrines that develop in the science of law, legal concepts and legal principles relevant to the legal issues at hand.
3. Case approach is an approach that examines several cases for reference to a legal issue. In contrast to social research, the case approach in normative research aims to study the application of legal norms or rules in legal practice. Especially regarding cases that have been decided as can be seen in the jurisprudence of cases that are the focus of research.

As a normative legal research, the data source used is in the form of secondary data, consisting of primary legal materials and secondary legal materials. Qualitative

analysis of research data, namely comparing or applying applicable laws and regulations, opinions of scholars (doctrine) and other legal theories. Deductive research conclusions, namely drawing conclusions starting from the general to the specific.

## **RESULTS AND DISCUSSION**

### **1. Foreign Investment in a country**

Investment or investment is an activity carried out by a person or legal entity, setting aside a portion of his income so that it can be used to carry out a business with the hope that at a particular time will get a profit. According to Reilly and Brown, investment is a commitment to tie up current assets for some time into the future to get income that can compensate for the sacrifices of investors in the form of (1) phase attachment at a particular time, (2) inflation rate and (3) income uncertainty. In the future. Therefore, the role of investment is significant and very strategic. Without sufficient investment, it is not expected to be high economic growth that can improve economic welfare. Investments can be classified based on (1) assets (Real Assets and Financial Assets), (2) their effects (autonomous/stand-alone investments and induced investments), (3) sources of financing (investments originating from foreign capital/PMA and investment originating from domestic capital/PMDN), (4) investment based on its form (portfolio investment and direct investment). On

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this occasion, the author will only focus on investments based on the type of financing source, namely foreign investment or foreign investment/PMA. As the name suggests, foreign investment is an investment whose sources of financing or funds come from abroad. To carry out development in a country, it is undeniable that it requires significant capital. If the people only rely on capital from the government, it will almost certainly be challenging to achieve the goals that the founders of the Indonesian nation inspired.

For this reason, it is necessary to look for other sources of funds, one of which is through investment, both foreign investment and domestic investment. For this reason, it is necessary to make regulations that can provide a legal umbrella for these investors, in this situation, where the functions of the government's legislative and executive bodies are needed—responding to the role of investment which is quite significant in building the economy of many countries. The world is competing to invite foreign investors to invest in that country.

From investors' point of view, market openness in the era of globalization is also competing to invest their capital in developing countries to help economic development. There is a reciprocal relationship between developing countries and foreign investors who invest in the country. In this reciprocal relationship, what is very unfortunate is

that there is a difference in point of view between the two where investors have a point of view to seek profit. In contrast, developing countries view that investment can help increase the pace of economic development.

Given the differences in point of view, infrastructure is needed to accommodate these two interests in a clear norm. As stated by an expert named Sumantoro:

*"The motive of investors in investing their capital is to seek profit. For this reason, it is necessary to find a relationship between the motives of investors seeking profit and the goal of the recipient country of capital, namely efforts to achieve its national development goals. For investors to invest their capital, the government must provide facilities and infrastructure and other facilities. Consequently, the government needs to carry out solid planning, including establishing policies for effective implementation and supervision so that national development goals are achieved. With this approach, the role of investors can direct to development priorities. With such an approach, development theory is a collaborative process and not a matter of dependence and not a conflict of interest."<sup>5</sup>*

It is very difficult to unite the views or interests between the owners of capital and the state. Suppose the country where the investors invest their capital is too strict in providing regulations regarding investment in their country. In that case, investors will not feel at home to invest in that

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country because today is an era of globalization where investors or capital owners are very free to invest their capital. In short, the state must make policies that are comfortable to invite investors to invest. This situation encourages developing countries to open up the widest possible opportunities for investors to invest in various fields so that liberalism occurs in the country. As stated by Gregory Chandra that *"The era of globalization and trade liberalism has colored the new millennium (21st century). The business world feels like a global village. Advances in science, telecommunications, information technology, transportation networks, and sectors of life have made the flow of information easier and smoother between individuals or groups. Geographical boundaries and countries are no longer significant. As a result, consumers are increasingly educated and demanding. These consumer demands include 1. High-quality products (high quality); 2. Fair price accompanied by methods soft alternatives payment; 3. Fast delivery of products (fast delivery); 4. Special services (Special Service); 5. Products with a high degree of flexibility (high flexibility); 6. Familiar with the user (user-friendly).*

With the globalization era where investors have the flexibility to choose which country will be the place to invest their capital, every country and its citizens must try their best to provide a comfortable climate for investors or investors; this is related to

competitiveness between countries. Several things must be considered to increase investment or invite investors to invest; these factors include social instability and security problems at the center and regions, inadequate conditions infrastructure, and instability of currency and rupiah exchange rates.

Investors are a group of upper-class people with wealth funds far more than the usual population. This group is very sensitive to business security issues as well as to themselves, so just an issue can make them feel worried and uncomfortable, which can hinder investment. With the infrastructure condition in an inadequate area, investors are reluctant to invest; this is related to the absence of adequate infrastructure. Their business processes will stagnate and suffer losses. In addition to these factors, the currency stability factor is also very influential because, with a stable currency, it can be ascertained that the country's state is also stable and can bring profits. Currency stability is also strongly influenced by money flow into a country. If money easily enters and leaves a country, it can be ascertained that that country's currency is unstable. This situation will happen if the money is mostly only channeled into buying shares and not investing in real infrastructure development.

According to Sumantoro, there are several advantages to foreign capital recipient countries, including:

- a. In the industrial sector, foreign investment reduces foreign exchange for imports.

- b. Foreign investment increases state forms of taxes/royals from foreign companies engaged in the oil sector.
- c. Foreign investment increases job opportunities or creates new job opportunities, increases the skills of the workforce working in the foreign company, and gives effect to modernization with the presence of large and modern foreign companies.
- d. In the industrial sector, foreign investment increases the flow of goods, thereby increasing the elasticity of supply due to the increase in the industrial production of these foreign companies.
- e. The foreign investment adds to the advantages associated with foreign investment. Foreign investment can be integrated with national development.

### 1. Law and Politics

Law is a rule or regulation made by the authorities that are coercive and aim to create an order in society. The law itself consists of the legal structure, culture, and legal substance. Legal structure, according to Friedman:

*"First, many features of the working legal system can be called structural moving parts, so to speak of the machine courts are simple, obvious examples; their structure can be described; a panel of such and such size, sitting at such and such time, which has this or that limitation on jurisdiction. The shape, size, and power of the legislature are other structural elements. A written*

*constitution is still another important feature in the structural landscape of law. It is, or attempts to be, the expression or blueprint of basic features of the country's legal process, the organization and framework of government". (Lawrence Friedman, 1984)*

Based on the preceding, the legal structure, part of the legal system, includes created institutions such as legal institutions and government organizations. In this regard, the government and state institutions' role in encouraging a development process is very necessary. For example, at this time, it is necessary to strengthen institutions in the regions to support the creation of a conducive investment climate in the regions. Law enforcement officials state apparatus need to create a conducive condition for creating an investment climate in Indonesia.

Legal substance, Friedman stated:

*"The second type of component can be called substantive. These are the actual product of the legal system- what the judges, for example: say and do. Substance includes, naturally, enough, those propositions referred to legal rules; realistically, it also includes rules which are not written down, those regulations of behavior that could be reduced to a general statement. Every decision, too, is a substantive product of the legal system, as is every doctrine announced in court, or enacted by the legislature, or adopted by the agency of government"* (Wang & Lo, 2016).

Based on the above, it can be interpreted as a court judge's decision

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and a product of legislation. Legal development in developing countries such as Indonesia generally applies the existing legal rules in Western countries, which are former colonial countries ([Choi, Park, Rho, & Zo, 2016](#)). Regarding economic development, the role of legislation is very important, where Indonesia must create legislation that can encourage the creation of increased economic development ([Diffenbaugh & Burke, 2019](#)). One example is Law No. 26 of 2007 concerning investment which is expected to create a conducive investment climate for foreign investors, especially those who are willing to invest in Indonesia. Legal culture is intended as views, attitudes, and or values that determine the running of the legal system and become the culture of a nation. People's views and attitudes towards law vary widely, influenced by subcultures, such as ethnicity, gender, education, descent, belief (religion), and environment.

Regarding economic development, the concept of development is viewed from various perspectives; people will view development and the legal rules that support it differently. Indonesian society, which is diverse in culture and ethnicity, has resulted in various understandings of the meaning of development. The development carried out in the regions is in contact with the community's real needs and certain ethnic groups. The entry of foreign investment needs to be balanced with the concept of free, informed consent

in which the public is given the widest possible information on the entry of foreign capital into their area, which aims to increase people's living standards and increase the number of job opportunities in the region so that unemployment in the region can be suppressed.

While the meaning of politics itself, if viewed etymologically, namely the word "politics," still has links with words such as "police" and "policy." Looking at the word "policy" earlier, "politics" is closely related to behaviors related to making a policy. So "politicians" are people who study, pursue, practice behaviors in politics. Therefore, the definition or meaning of "*POLITICS*" is a behavior or activities carried out to realize policies in the state order to realize the real ideals of the state, to be able to build and shape the state according to *rules* for happiness together in society in a country is easier to achieve. According to Aristotle, politics is an effort citizens make to achieve the common good.

Politics and law are two different disciplines, but in law, there is also a discussion about politics which is included in state administration. In legal science, matters concerning politics are better known as legal politics. Legal politics is the basic policy of implementing state policies in the field of law that will, is currently, and has been in effect, which originates from the values that apply in society to achieve the aspired state goals. Legal politics is different from other countries; this follows the historical

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background, outlook on life, socio-cultural and political will of each country.

## 2. Legal and political influence in foreign investment

A developing country that is carrying out development in all fields can be said to be a good development country if the development that is carried out in addition to pursuing economic growth must also pay attention to the implementation of guarantees for the protection of human rights of its citizens. It has been regulated in the country's constitution; thus, it will attract public participation in development. There are five qualities of law that are conducive to development planning and implementation, namely:

- (1) Stability (stability)
- (2) Predictability (fairness)
- (3) Education (education)
- (4) Development of the legal profession (the special development abilities of the lawyer)

The essence of Indonesia's development as stated in the constitutional mandate by the pledge and ideals of the nation is ideologically contained in Pancasila, which in essence development is to build the Indonesian nation as a whole, and strategy development is economic growth, equitable distribution of social welfare, and political stability. Then it is further emphasized explicitly in the fourth paragraph of the Preamble to the 1945 Constitution that; The essence of

national development is: to educate the nation's life, to create public welfare, to protect the entire homeland of Indonesia, and to help implement world order, eternal peace, and social justice.

According to Satjipto Rahardjo, the law functions as a protection for human interests, and therefore the law must be implemented. Furthermore, Ronny Hanitijo, by combing the opinion of Talcott Parsons, the main function of law is to integrate, namely reducing conflicts and facilitating the process of social interaction. The internal function of the law itself is very influential in human life, especially in economic life.

So the task of law in the economic field is to always maintain and create security methods so that the implementation of economics does not sacrifice the interests of the weak. The law also functions to resolve problems that arise as a result of emerging economic policies.

Talking about the function and development of law in the economic development of a country is inseparable from the discussion of the economic approach to law or vice versa, the legal approach to the economy, which is commonly known as economic analysis of law. One concrete example that there is scientific elaboration between the two disciplines of economics and law is the coercive power of the flow of economic globalization which forces legal instruments as the regulation of economic mechanisms to adapt to international developments, and this is

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often referred to as legal globalization so that the material content of various laws and treaties as a source of positive law must adopt the principles and be harmonized with international provisions which are carried out through the ratification of treaties and conventions as well as international covenants, as well as relations and agreements on the private sector and new economic institutions. It can be said that the scope of the field of economic law (economic law) is a broad field of law and is related to private interests and public interests at the same time. For this reason, an economic approach to law will be one way to avoid falling behind in economic traffic within and between countries and other countries, both nationally, regionally, and internationally.

So the function and role of law in development in the future stages of national legislation need to prioritize laws relating to capital accumulation to finance development and democratization of the economy to achieve efficiency fulfills the function of law as a business facilitator. Therefore, legal experts who are involved as legislators must be able to comprehensively integrate studies legal with disciplines other, so that there is social order for the functioning of the law due to social changes and social arrangements between community groups, countries, between countries, be it the national level, regional and international processes, which in the process can run responsively to the principle of a balance of progressive

development interests.

Based on the principle of the rule of law, the government is the law, not humans. Law is interpreted as a hierarchical unit of legal norms that culminates in a constitution, which means a state of law requires constitutional supremacy. Therefore, the basic constitutional rules must be the basis and be implemented through laws and regulations governing the administration of the state and people's lives.

Legislation is part of the law made intentionally by state institutions with certain goals and reasons. The diversity of objectives and reasons for making laws and regulations are referred to as legal politics (legal policy). According to Hikmahanto Juwana, making laws and regulations in legal politics is very important for two things. First, as the reason why it is necessary to establish a statutory regulation. Second, to determine what will be translated into legal sentences and formulate articles. These two things are important because the existence of statutory regulations and the formulation of articles is a "bridge" between the established legal politics and the implementation of the legal politics in the stage of implementing the legislation. Considering that there must be consistency and correlation between what is defined as legal politics and what is to be achieved as a goal.

One of the national development program policies in the field of law stated in the GBHN (Outlines of State Policy) is to develop laws and

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regulations that support economic activities in the face of the era of free trade. Legal politics is often made to respond to the community's needs; this is reflected in the considerations and general explanations. Most Economic Laws state that the laws established are aimed at responding to the community's needs or creating a just and prosperous society.

In the publication of *The World Bank Poverty Reduction and Economy*, Cheryl W Gray, in her writing entitled "*Reforming Legal Systems in Developing and Transition Countries*," states that there are three important prerequisites that need to be considered so that the legal system can function properly in a market economy, namely: the availability of market-friendly laws, the existence of institutions capable of effectively implementing and enforcing the relevant laws. There is a need from market participants for the said laws and regulations.

Talking about politics, of course, we cannot be separated from talking about democracy that applies to a country. This is because, in the democratic process, it is clear that there must be political activities of political ethnicities who have their political interests. Democracy is a political ceremony to determine who is in power and what policies should be taken in an issue without ignoring the opinions of minorities. Even though it is called a democracy, it still carries political interests in it. The relationship between democracy and economic development has become a fairly fierce debate

among scientists. This debate arises in countries experiencing industrialization and urbanization that has just been separated from colonial rule. The relationship between the people and the government can be categorized into two forms of relationship, namely a dictatorial system that can relatively influence the government, which can lead to repressive actions against minorities and a democratic system where the adult public has the right to vote or be elected in elections, and there is recognition of minority rights.

Indonesia is a country that is undergoing a process of democratic transition. When military power is overthrown, the power of capital holders begins to control the power of the state government. With the power of capital, several rulers try to occupy political positions in Indonesia; this can be proven by several state positions ranging from the lowest to the highest being controlled by several entrepreneurs. These entrepreneurs will try to influence every policy in the country.

Since the publication of *The Wealth of Nations* two centuries ago, several legal experts have argued that the decentralization of political power and market liberalization encourage investment and economic growth. During the New Order era, economic power was more at the forefront, where development relied on foreign investment in Indonesia. To ensure the entry of foreign investment, the uniform form of development with an emphasis on stability resulted in several

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parties opposed to government policies under repressive pressure.

During the guided democracy, with the concentration of power in one person, namely the President, he took a different attitude, namely anti-foreign capital. In this case, the development that must be carried out during the Reformation period is economic development which must also pay attention to the rights of various people (plural). On the other hand, the public must also understand that the entry of foreign capital will encourage a high level of economic growth in Indonesia. In real terms, it will open up job opportunities for the people.

### **3. The relationship between law and politics on the entry of foreign investors Foreign**

Investors or foreign investors are middle and upper elite people who are very sensitive to issues circulating in a country that can affect their investment activities to seek the greatest profit. In this era of globalization, developing countries urgently need an injection of foreign funds to facilitate and accelerate the process of economic development that is being carried out by these countries. Therefore, in the competition to invite investors into their country, a country will work very hard to create a comfortable climate for foreign investors. The comfortable climate that arises is none other than making laws and regulations that make it easier for investors to invest in the country. In terms of making regulations that facilitate the entry of foreign investors, it is carried out by the

legislature.

While the legislative body itself is an institution that is very closely related to politics in a country because the legislative body contains people who are elected through a political process in the form of democracy so that in the process of making laws and regulations, of course, political forces intervene, here the author assumes that the law is a political product. Law is considered a dependent variable (influential variable), while politics is an independent variable (influential variable). The placement of law as a variable that depends on politics or politics, which is the determinant of this law, is easy to understand. The parliamentary session, which is made to make laws as legal products, is essentially a contestation scene so that the interests and aspirations of all political parties can be contained in decisions and become law.

According to Daniel S. Lev, the most decisive in the legal process is the conception and structure of political power. Namely, that law is more or less always a political tool. The place of law in the state depends on the political balance, the definition of power, the evolution of political, economic, social ideology, etc.

From this fact, it is realized that there is a legitimate space for the entry of a political process through political institutions to form a legal product. In this regard, two keywords will be studied further about the influence of power in law, including "process" and the word "institutions," in realizing a

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statutory regulation as a political product. This influence will be increasingly seen in the products of legislation by a political institution strongly influenced by the great political forces in political institutions. Political forces can be seen from two sides, namely the power possessed by formal political forces (political institutions) in this case which is reflected in the power structure of state institutions, such as the President, the People's Representative Council, and other state institutions and the political power of the state. Political infrastructure includes political parties, community leaders, community organizations, non-governmental organizations, professional organizations, and others.

This investment by foreign investors is highly expected by developing countries to help improve their country's economic development and countries that need investors to invest. Investors need that country to seek profits about investment in potential sectors in that country. In investing this, investors, of course, expect big profits, but the terms and capital expenditures are kept to a minimum. Emphasizing capital expenditure to a minimum leads to a reduction in the cost of business licenses and business operating costs in a country. In addition to being faced with the issue of operating costs and permits, foreign investors are also faced with competition between investors themselves to invest their capital.

Based on these reasons, it is not uncommon for these foreign investors to approach political cadres who are influential in policymaking. In addition to approaching political cadres, investors are also often willing to become a source of funds for political candidates who want to fight for seats on the board. By becoming a source of funds for prospective board members, investors hope that it will be easier to invest their capital in the future. Of course, the politicians who have previously been assisted in funding this campaign feel indebted to the investors who helped them occupy parliamentary seats, so this is very influential in making policies related to foreign investment. Policies made in such situations usually do not heed the real purpose of the policy but rather how the policy will positively affect those who make the policy. With such a policy, the small people will become victims of the policy. Things like this do not reflect the sense of justice and objectivity that the law should hold.

A modern legal system must be a good law, in the sense that the law must reflect a sense of justice for all parties and be by the conditions of society. From this, it appears that the guarantee of the rule of law is determined by two issues, namely whether the law is made through an appropriate process and then democratically ratified, and whether the law is obeyed and implemented by the government or by the people it governs explicitly or implicitly. Positive answers to these two things also determine the political

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balance produced by the constitution (law) in question. From this statement, it can be understood that the constitution (law) of the country must be made based on the existing political balance so that the law can accommodate all groups and does not tend to benefit one party. This is where the need for a common view or perception of the content of legal regulations is created from various parties, both from elements of society, political parties, social organizations, and government and other state institutions.

## CONCLUSIONS

It can be concluded that law and politics are very influential in the entry of foreign investors. The entry of foreign investors is strongly influenced by several things, including a comfortable climate in the form of political stability and a clear legal umbrella for foreign investors. In the absence of these things, investors will hesitate to invest their capital because investors are very sensitive to such issues, and they do not want to take risks in investing their capital in a country. These comfortable climates can be achieved if a political power can make policy products that can maintain stability in their country; such stability includes political stability legal and economic stability.

It can also be concluded that political and legal relations are closely related to the entry of foreign investors. In this case, politics is a more influential variable than law, which is the affected variable. The formation of legal products is born from

the influence of political power through the political process in state institutions that are given the authority to do so. Concerning the making of laws and policies related to foreign investors, political forces are very influential because the parties who make the laws and policies are the politicians who sit in the seats of the legislative council. We know for ourselves that these political forces are only pawns of actors who have a large capital, none other than businessmen. Of course, entrepreneurs, through their political pawns, will make legal policies regarding the foreign investment that are profitable for themselves, not for the prosperity of the people.

From these conclusions, the author suggests that the government should emphasize eradicating corruption because, with the relationship between politicians and businessmen behind the scenes, it is undeniable that corruption exists. The author also advises the public to be more selective in choosing their representatives in the council members who can fight for the fate of the people and better advance this country with pro-people policy products. The Indonesian government must also work harder to make policies that can attract foreign investors. Indonesia also takes into account the welfare and security of the nation itself.

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