

Comparison of Business Law in Developing and Developed Countries: A Case Study of Indonesia and Singapore

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ABSTRACT

This study aims to compare the characteristics of business law between countries, namely Indonesia and Singapore. Indonesia and Singapore have different legal systems; Indonesia uses civil law while Singapore uses common law, which affects regulations in business activities between the two countries. This study focuses on three main aspects: corporate regulation, intellectual property rights, and investor protection. This study found that Singapore is superior in terms of legal certainty and efficiency, while Indonesia still faces challenges in implementing regulations that often change. The results of this study are expected to provide further understanding of the implications of different legal systems and become input for policymakers in Indonesia in improving the investment climate.

Keywords: Business Law, Indonesia, Singapore, Developing Countries, Investment.

I. Introduction

Economic instability and complex social and political dynamics are often obstacles to developing business law in a developing country. In contrast, business law usually experiences rapid development in a developed country because it focuses on efficiency and legal certainty to support international competitiveness (Sidiq, 2024). Indonesia, a developing country, and Singapore, a developed country, have different approaches to regulating business law, affecting both countries' attractiveness to foreign investors.

Singapore, a developed country, remains Indonesia's largest source of investment, with total investment reaching US\$4.6 billion in the second quarter of 2024 (Putra, 2024). This indicates Indonesia's dependence on foreign investment, especially from Singapore. This difference suggests that the business law system in Singapore is more effective and supportive of investment than in Indonesia. While Indonesia recorded a substantial increase in investment, totaling IDR 829.9 trillion in the first half of 2024, the country still faces challenges of legal uncertainty and bureaucracy that may affect investors' choices. This phenomenon shows how Singapore can attract more foreign investment through legal policies that support efficiency, transparency, and ease of doing business. In contrast, Indonesia experiences regulatory constraints that hinder its foreign investment opportunities (Kurniawan, 2016). This study aims to investigate the factors that lead to these differences and analyze how business regulation in both countries affects the investment atmosphere and global competition. This study explores the comparative application of business laws

between Indonesia and Singapore, uncovering the factors that play a role in their implementation and their influence on the business sector and foreign investment. The success of this study depends on understanding how variations in legal systems can affect investment decisions and business development. A limitation of this study is the emphasis on the business law sector and foreign investment. This study aims to identify the elements that hinder and support the advancement of business law in both countries and provide policy suggestions to improve competitiveness in Indonesia and Singapore.

II. Research Method

The research method used in this research is a comparative juridical method with descriptive analysis. Data is obtained through a literature study of the principal regulations and laws applicable in Indonesia and Singapore and case studies and reports from relevant institutions, such as the Investment Coordinating Board (BKPM) in Indonesia and the Economic Development Board (EDB) in Singapore.

III. Result and Discussion

3.1. Overview of Business Law in Indonesia

Indonesia regulates business law through several regulations, including Law No. 40 the Year 2007 on Limited Liability Companies (UUPT) and Law No. 13 the Year 2016 on Copyright. Company regulation in Indonesia is quite complex, with several administrative and bureaucratic procedures to follow and certain restrictions on foreign investment. The government has tried to streamline the licensing process through the OSS (Online Single Submission) system, but its effectiveness still faces technical and administrative obstacles. Indonesia also faces challenges in protecting intellectual property rights (IPR), mainly related to piracy and weak law enforcement. Although there are regulations governing IPR, implementation is far from ideal. Foreign investors' protection, especially in business dispute resolution, is also often hampered by lengthy procedures.

3.2. Overview of Business Law in Singapore

Singapore's standard law system promotes legal certainty and efficiency in business dispute resolution. The country has a Companies Act that regulates corporate governance with simple and transparent procedures and a Securities and Futures Act that ensures capital market activities are run according to international standards. Singapore places the protection of intellectual property rights as a top priority, providing a legal system that is fast, reliable, and up to international standards. Singapore also has an Intellectual Property (IP) Hub as a regional hub for dispute resolution and intellectual property registration. This provides legal certainty for foreign investors looking to develop innovations in Singapore.

3.3. Comparison of Key Aspects of Business Law

Regarding corporate regulatory structure, Indonesia has a rather complex licensing process with some restrictions on foreign ownership and frequent regulatory changes that create legal uncertainty for investors. In contrast, Singapore has a simpler and more efficient licensing structure, with openness to foreign investment in many sectors and more stable regulations. Regarding intellectual property rights (IPR) protection, Indonesia still faces significant challenges, especially with high piracy cases and weak law enforcement. At the same time, Singapore has a strong IPR protection system that complies with international standards, providing legal certainty for innovators and investors. Protection for foreign investors is also challenging in Indonesia, where frequently changing regulations can create uncertainty, and business dispute

resolution still needs improvement. In contrast, Singapore offers excellent protection for foreign investors, including fast and transparent dispute resolution mechanisms and tax incentives for investors.

3.4. Discussion

The key differences in business law in Indonesia and Singapore reflect each country's position in the global economy. As a developed country, Singapore prioritizes efficiency and legal certainty to attract investors, while Indonesia still faces challenges in regulatory harmonization and law enforcement. Indonesia's efforts to improve its investment climate can be seen in establishing the OSS, but further improvements are needed to enhance its legal certainty and international competitiveness. A country's business law policies not only affect the attractiveness of investment but also significantly affect the sustainability of businesses in that country. In Indonesia and Singapore, different legal approaches result in varying impacts on long-term business stability, protection of intellectual assets, and sustainability of foreign investment.

3.4.1. Legal Stability and Business Certainty

- Singapore: With its common law approach, Singapore has built a stable and consistent legal system, creating certainty for investors and businesses. This stability allows businesses to make long-term plans with minimal regulatory risk. Pro-business policies, including licensing simplification and legal transparency, create a climate conducive to business sustainability.
- Indonesia: As a civil law country with influences from colonial law, Indonesia faces frequently changing regulations, especially regarding strategic sectors. Inconsistent investment policies, such as changes in the Negative Investment List (DNI) or labor regulations, create uncertainty for businesses. This hampers business sustainability and reduces investor interest in investing for the long term.
- Impact: Legal certainty in Singapore provides a solid foundation for business sustainability and attracts new investment. Meanwhile, in Indonesia, regulatory uncertainty can pose a risk to business sustainability, especially in sectors with dynamic regulations.

3.4.2. Intellectual Property Rights (IPR) Protection and Business Innovation

- Singapore: Singapore has developed a firm IPR policy and protection system encouraging innovation. Singapore offers legal certainty and protection for patents, trademarks, and copyrights as a regional innovation hub. These protections attract multinational companies engaged in technology and research and encourage local businesses' development. With the Intellectual Property (IP) Hub, Singapore ensures that intellectual property rights are taken care of so innovators and investors feel secure in innovating.
- Indonesia: IPR protection in Indonesia has been regulated by specific laws, but implementation remains challenging. IPR piracy and infringement are still rampant, and weak law enforcement creates risks for innovation-oriented businesses. Despite some improvements in IPR regulations, companies in Indonesia often feel underinsured when protecting their innovations.
- Impact: Effective IPR policies in Singapore strengthen the sustainability and competitiveness of innovation-based businesses. In Indonesia, the lack of IPR protection reduces the interest of foreign and local companies to conduct research and development, affecting business competitiveness in the long run.

3.4.3. Impact of Foreign Investor Protection Policy on Investment Sustainability

- Singapore: The country provides significant protection for foreign investors through precise regulation and efficient dispute resolution. Singapore provides the **Singapore International

Arbitration Centre (SIAC)** as a globally recognized international arbitration center, providing quick and credible dispute resolution options. In addition, bilateral agreements with various countries also offer additional security for foreign investors. These protections enhance investors' confidence to invest long-term, strengthening the sustainability of investments in Singapore.

- Indonesia: Foreign investor protection in Indonesia has progressed, but uncertainties remain regarding dispute resolution and regulation of specific sectors. In some cases, lengthy dispute resolution procedures and lack of transparency are significant obstacles for foreign investors. Policy stability remains a concern while initiatives have been made to improve the legal system and provide better protection for investors.
- Impact: In Singapore, strong protections for foreign investors create a sustainable investment climate and attract capital for the long term. In contrast, in Indonesia, the risk of legal uncertainty can reduce foreign investor confidence and hamper investment sustainability, especially in long-term projects.

3.4.4. Regulatory Infrastructure and Ease of Doing Business

- Singapore: Singapore's streamlined regulations and supportive legal infrastructure are key attractions for investors. With an easy licensing process and easy access to a dispute resolution system, businesses can focus on business development without being constrained by bureaucratic red tape. Singapore also offers **tax incentives** for companies that set up innovation or research centers in the country, which enhances business sustainability.
- Indonesia: Indonesia's OSS system is a significant step in simplifying licensing, but its implementation still faces technical and bureaucratic obstacles. Despite deregulation efforts, Indonesia still has a longer licensing process than Singapore, and bureaucratic barriers often hamper operational efficiency. This can reduce the attractiveness for investors, especially those who prioritize efficiency and speed in business processes.
- Impact: Singapore's regulatory infrastructure supports ease of doing business and attracts major corporations to invest long-term. In Indonesia, bureaucratic obstacles and inefficiencies in the licensing process can negatively impact business sustainability and make the country less competitive in attracting international investment.

In this study, there are several suggestions from researchers for more specific results, including:

- 1) Identification of Constraints in Law Implementation
Interviews with investors can reveal practical challenges in implementing business law regulations. For example, despite established rules on foreign investment, investors often face problems in the licensing process or legal protection of intellectual property rights. Through interviews, investors can identify bureaucratic obstacles, administrative constraints, and ambiguities in regulations that may hinder business sustainability in Indonesia.
- 2) Policy Impact Assessment on Investment Climate
Investors' views on policy and regulatory changes in Indonesia may directly impact investment appetite. For example, in interviews, foreign investors may express concerns about regulatory uncertainty impacting their decision to maintain or increase investment. In Singapore, investors may feel more confident about making long-term investments due to legal stability, whereas in Indonesia, inconsistent policy changes may be a factor that dampens their interest.
- 3) Evaluation of Regulatory Compliance with Market Needs
By hearing directly from investors, researchers can assess whether business regulations in Indonesia are in line with market needs or require further adjustments. For example,

interviews can reveal whether licensing regulations in the OSS are effective or require additional improvements. In addition, interviews can explore how policies related to intellectual property rights affect innovation-based businesses.

4) Inputs for the Development of More Adaptive Legal Policies

Interviews with investors also provide input for improving business law regulations in Indonesia. Investors can provide concrete suggestions on legal aspects that need to be adjusted to support long-term investment, such as legal stability in investment, dispute resolution transparency, and licensing process ease. With this information, Indonesian policymakers can develop regulations that are more adaptive and responsive to the needs of the business world, making Indonesia more competitive.

5) Practical Comparison between Indonesian and Singaporean Regulations

Interviews with investors who have operated in Indonesia and Singapore will directly compare the experience of doing business in both countries. This information may include ease of licensing, legal stability, protection of intellectual property rights, and access to prompt dispute resolution. Direct views from investors who experience the different business environments in the two countries can form the basis for developing regulations in Indonesia that are more in line with international standards.

4. Conclusion

This comparison shows that Singapore has an advantage in business law policies that support business sustainability and long-term investment, supported by regulatory stability, strong IPR protection, and efficient legal infrastructure. As a developed country, Singapore provides certainty and convenience for businesses, thereby increasing international competitiveness. On the other hand, Indonesia still faces challenges in improving regulatory stability and legal protection for investors. While the government has made various reforms, business sustainability is still constrained by frequent policy changes and the lack of adequate protection of intellectual property rights. To improve business and investment sustainability, Indonesia needs to continue business law reforms with a focus on policy stability, strengthening intellectual property rights protection, and improving efficiency in the licensing process. This will make Indonesia more competitive in the eyes of international investors, boosting economic growth and sustainable development. The research found that Singapore's business law system is superior in efficiency and legal certainty, key attractions for foreign investors. Meanwhile, Indonesia needs to improve its regulations and licensing process to be more efficient and strengthen law enforcement for intellectual property rights. Indonesian policymakers can take lessons from Singapore in creating a conducive business climate through stable, transparent, and investor-friendly legal policies. In this research, field approaches and interviews with investors can be essential to build a more adaptive and competitive business law policy base, making Indonesia an attractive investment destination in the ASEAN region.

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