GOVERNMENT REGULATION NO. 20/1994
CONCERNING ON INVESTMENT
THE PRESIDENT OF THE REPUBLIC OF INDONESIA

CONSIDERING:

a. that in the context of accelerating the growth and expansion of the national economy, and development activities in general, it is deemed necessary to develop the business climate which will enhance stability and sustainability of foreign investment.

b. that to this and, it is deemed necessary to revise the provisions of share ownership in companies established in the context of foreign investment as contained in Government Regulations No. 50 of 1993;

IN VIEW OF:

1. Paragraph (2) of Article 5 of the 1945 Constitution.

2. Law No. 1 of 1967 on Foreign Investment (State Gazette No. 1 of 1967, addendum to State Gazette No. 2818) as amended by virtue of law No. 11 of 1970 (State Gazette No. 46 of 1970, Addendum to State Gazette No. 2943).

DECIDES

To Stipulate:

GOVERNMENT REGULATION ON INVESTMENT

Article 1

An approval on foreign investment is granted to a Foreign Direct Investment (FDI) company which is established in the form of Limited Liability Company subject to the Indonesian Law and domiciled in Indonesia.

Article 2

1. The FDI may be established in the form of:

a. Joint venture between foreign capital and domestic capital owned by Indonesian citizens, and /or Indonesian legal entities; or
b. Straight investment, in the sense of that the entire capital is owned by foreign citizens and/or foreign legal entities

2. The amount of investment shall be determined by the investor in accordance with the economic feasibility of the business activities

**Article 3**

1. Business license is granted to the FDI company for a period of thirty (30) years since the commercial operation.

2. The business license may be renewed by the Minister for Investment/Chairman of the Investment Coordinating Board if the company continues to carry out its business for the benefit of the national economy and development.

3. The Minister for Investment/Chairman of the Investment Coordinating Board shall stipulate further provision of the renewal of business license, after consultation with the related Ministers

**Article 4**

1. The business activity of the FDI company may be located throughout the territory of the Republic of Indonesia.

2. In the regions that have had the Bonded Zone and Industrial Estate, the business activity shall preferably be located in the above mentioned areas

**Article 5**

1. A joint venture company as referred to in Article 2 paragraph (1) point a, may carry out business activities categorized as important to the State and serving the public, such as ports, generation and transmission as well as distribution of electricity for public use, telecommunication, shipping lines, airlines, potable water, public railways, atomic energy reactors and mass media.

2. A straight investment company as referred to in Article 2 paragraph (1) point b, is not permitted to carry out the business activities in the business sectors as referred to in paragraph (1) above

**Article 6**

1. The Indonesian partner’s shares in the joint venture company shall be at least five percent (5%) of the total paid-up capital of the company upon its establishment.
2. The company's shares in excess of 5% as mentioned in paragraph (1) can be sold to Indonesian citizens or Indonesian legal entities owned entirely by Indonesian citizens by way of direct ownership as agreed by the parties and/or through the domestic stock exchange.

**Article 7**

1. The straight investment company shall sell a part of its shares to Indonesian citizens and/or Indonesian legal entities within a maximum of fifteen years after the commencement of commercial operation, by way of direct ownership and/or through the domestic stock exchange.

2. The transfer of the above mentioned company's shares shall not alter the status of the company.

**Article 8**

1. In addition to increase its own equity, the FDI company which has been commercially operating may also:

   a. establish a new company; and/or

   b. buy shares of the existing domestic company except for the existing FDI company, whether or not they are already commercially operating, through the domestic stock exchange.

2. The shares as referred to in paragraph (1) point b, may also be bought by the joint venture company through direct ownership on the basis of an agreement between the parties.

3. The purchase of the existing domestic company's shares as referred to in paragraph (1) and (2) can only be carried out if the fields of business concerned are open to foreign direct investment at the time of the purchase.

4. The purchase of the existing domestic company's share as referred to in paragraph (1) point b, shall not alter status of the company.

**Article 9**

1. The foreign enterprises may buy the shares of the existing domestic company including the existing FDI company, irrespective as to whether they are in commercial operation.

2. The purchase of the shares as referred to in paragraph (1) except for existing FDI company can only be carried out if the fields of business concerned are open to foreign direct investment at the time of the purchase.
3. The purchase of existing domestic company’s shares as referred to in paragraph (1) shall be completed through direct ownership and/or through the domestic stock exchange.

4. The direct ownership by the foreign enterprises as referred to in paragraph (3) can only be carried out in the effort to rescue and restore the company concerned.

5. The purchase of the existing domestic company’s shares as referred to in paragraph (1) and (2) shall not alter the status of the company

Article 10

The further provisions required for the implementation of this Government Regulation shall be stipulated by the Minister for Investment / Chairman of the Investment Coordinating Board, after hearing the opinion of the relevant Ministers

Article 11

Through the enactment of this Government Regulation, Government Regulation No. 50 of 1993 on the Share Ownership Requirements in Foreign Investment Company shall be declared null and void

Article 12

The company established under foreign investment law, which has been established and/or has been commercially operating before the enactment of this Government Regulation, shall comply with the provisions of this Government Regulation on the basis of the agreement of their shareholder

Article 13

This Government Regulation shall come into effect as of the date of promulgation. For public cognizance, this Government Regulation shall be promulgated by publishing it in the State Gazette of The Republic of Indonesia

Enacted in Jakarta
On May 19, 1994

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

Signed

SOEHARTO