Press Release
IGJ: International Financial Center Law Passed Hastily, Do Not Sacrifice Economic Sovereignty for Global Capital

Jakarta, 21 July 2026 – Indonesia for Global Justice (IGJ) considers the enactment of the Indonesia International Financial Center (PFII) Law by the House of Representatives (DPR) and the Government to be a development that warrants serious scrutiny. The establishment of an international financial center is not an ordinary policy initiative, as it concerns the country's financial architecture, cross-border capital mobility, legal system, taxation, regulatory authority, and the state's policy space. Yet, despite its far-reaching strategic implications, the law was deliberated and enacted within an exceptionally short period. The speed of the legislative process raises a fundamental question as to whether it genuinely provided sufficient opportunity for the public to understand, assess, and critically examine the long-term consequences of establishing the PFII.

"***It is worth questioning why a law with the potential to reshape Indonesia's financial architecture and create greater space for global capital was rushed through in such a short period. The urgency behind this accelerated legislative process must be scrutinized, including whose interests it actually serves and who stands to benefit the most from this law***," said Rahmat Maulana Sidik, Executive Director of Indonesia for Global Justice (IGJ).

In our view, the legislative process should not be driven solely by the goal of passing a law, " ***Speed does not guarantee quality, nor does it guarantee democracy. This is especially true when the public, civil society, academics, workers, and domestic economic actors are not given adequate time to examine the substance of the law and assess its potential impacts,***" Maulana added.

IGJ cautions that the establishment of the PFII has the potential to create a special economic and legal regime that grants extensive incentives and regulatory concessions for international financial activities. While the government seeks to attract global capital, there is also a risk that Indonesia will become increasingly dependent on foreign capital flows and lose its policy space to regulate capital movements in the national interest.

"***The government must not become so preoccupied with making Indonesia increasingly attractive to global capital that it forgets to ask whether such capital truly benefits the Indonesian people. We must learn from the experience of financial liberalization: profits can be privatized, but when crises occur, the losses are often borne by the state and society***," Maulana emphasized.

IGJ identifies at least several serious risks associated with the establishment of the PFII.

First, the risk of eroding economic policy space. The unrestricted transfer and repatriation of capital, profits, dividends, interest, and assets could limit the government's ability to implement capital controls during periods of economic crisis, capital flight, or financial instability.

Second, the risk of tax avoidance. Cross-border capital mobility and the various special facilities provided under the PFII must be subject to strict oversight to ensure that it does not become a vehicle for tax arbitrage, profit shifting, and practices that erode the country's tax base.

Third, the risk of creating a legal enclave. If the PFII provides broad scope for the application of common law, equity, or international commercial legal practices, Indonesia must ensure that such a special regime does not create a parallel legal system or undermine national legal sovereignty.

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Fourth, the risk of weakened democratic oversight. The greater the authority granted to the PFII's regulators and specialized institutions, the greater the need for robust public oversight mechanisms. The PFII must not become a jurisdiction that is highly accessible to investors while remaining largely closed to public scrutiny.

For IGJ, the fundamental issue is not merely how Indonesia can attract foreign investment and become an international financial center. Rather, the more important questions concern who benefits, who holds control, and who bears the risks when the system fails.

"***We must not repeat a development logic that turns Indonesia into a site of value extraction for global interests. If, in the natural resource sector, Indonesia has become a supplier of raw materials, then we must not allow the financial sector to become merely a transit hub for global capital. Profits flow outward, while the systemic risks are borne by the state and the people,***" Maulana said.

IGJ also emphasizes that the success of the PFII should not be measured solely by the value of financial transactions, the number of foreign companies, or the volume of investment inflows. The Government must be able to demonstrate its contribution to the productive sector, the creation of decent jobs, increased state revenue, the strengthening of domestic industries, and the overall well-being of the Indonesian people.

We reaffirm that " ***Indonesia needs a financial system that serves national development, not a model of national development that is subordinated to the interests of the global financial system. The PFII must not become a haven for the mobility of foreign capital while posing a threat to Indonesia's economic sovereignty and policy space***," Maulana concluded.

We also reaffirm that the establishment of an international financial center must serve as an instrument for strengthening the national economy and financing sustainable development, rather than merely a project aimed at enhancing Indonesia's attractiveness to global investors.

Capital may come and go, but economic sovereignty and the interests of the Indonesian people must never be treated as commodities.

Contact:
Rahmat Maulana Sidik, Executive Director, Indonesia for Global Justice (IGJ)
E: rahmat.maulana@igj.or.id.

About Indonesia for Global Justice (IGJ):
Indonesia for Global Justice (IGJ) is a civil society organization dedicated to issues related to globalization, free trade agreements, and other international agreements across various sectors, including the economy and finance, with a particular focus on their impacts on farmers, fishers, workers, the environment, and public health. The Indonesia for Global Justice (IGJ) office is located at Jl. Rengas Besar No. 35C, Jati Padang, Pasar Minggu, South Jakarta, DKI Jakarta 12540.

For more information, please visit www.igj.or.id or contact igj@igj.or.id

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