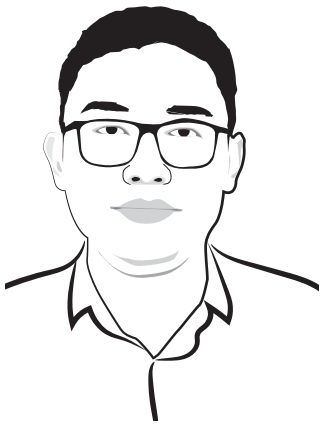
Potential problems with the "Golden Visa" program



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President Joko 'Jokowi' Widodo inaugurated the "Golden Visa" program on Thursday, July 25, 2024, to facilitate investment and residency permits for foreign investors and global talent who wish to contribute to Indonesia. The first person to receive the Indonesian Golden Visa was Sam Altman, Chief Executive Officer (CEO) of OpenAI, the company that developed the ChatGPT chatbot. Next, the Golden Visa was symbolically given to South Korean national Shin Tae Yong, coach of the Indonesian National Football Team (*TimNas*).

The Golden Visa is regulated in the Minister of Law and Human Rights Regulation Number 22 of 2023 concerning Visas and Residence Permits (*Permenkumham* 22/2023), as amended by the Minister of Law and Human Rights Regulation Number 11 of 2024 concerning Amendments to the Minister of Law and Human Rights Regulation Number 22 of 2023 concerning Visas and Residence Permits (*Permenkumham* 11/2024). In addition to these *Permenkumham* regulations, there is also a Minister of Finance Regulation Number 82 of 2023 concerning Types and Tariffs for Types of Non-Tax State Revenue for Urgent Needs for Golden Visa Services, Applicable at the Ministry of Law and Human Rights (*Permenkeu* 82/2023). *Permenkeu* 82/2023 details tariffs related to visas, immigration permits and other non-tax immigration state revenues.

So, what is the Golden Visa? Article 184 of *Permenkumham* 22/2023 defines the Golden Visa as "a classification of limited stay visas, limited stay permits, permanent stay permits, and re-entry permits for a specified period." In addition, Article 185, paragraph 1, states that limited stay visas, limited stay permits, permanent stay permits, and re-entry permits are granted for activities related to investment, family unification, repatriation, and second residences. According to paragraph 2 of the same article, the granted length of stay is between 5 and 10 years.

The Golden Visa policy is not a new approach to attracting investment. Portugal has implemented the scheme, and succeeded in benefiting from the instrument. The country received □3.9 billion in Foreign Direct Investment (FDI) in real estate in 2023, while Portugal's minimum investment cost in residential property in Portugal is □350,000, amounting to approximately □369,840 with additional costs. However, as with any economic decision, trade-offs are inevitable.

The Golden Visa policy affected Portugal's real estate market, by drawing in a large number of wealthy foreigners. This has made it difficult for other foreign residents to purchase property in the popular and increasingly expensive city centers of Porto, Lisbon, and Algarve. In a study published on Essential Business. pt, researchers João Pereira dos Santos (Queen Mary University of London/ISEG, University of Lisbon, and IZA) and Kristina Strohmaier (University Duisburg-Essen) found a 60 percent increase in the number of properties sold at the "threshold" price of □500,000 (the minimum real estate investment value under Portugal's Golden Visa). This suggests that housing sellers set property prices according to the Golden Visa program, resulting in market distortions.

Apart from Portugal, Spain has also been badly impacted by the Golden Visa, particularly in the housing sector. Spain halted the program because it tended to make housing unaffordable for locals, particularly young people. It also led to a housing crisis in popular cities like Barcelona, Madrid, Malaga, the Balearic Islands, Alicante, and Valencia, where 90 percent of the Golden Visas were issued. These visas were predominantly granted to investors from China, Russia, the United Kingdom, the United States, Ukraine, Iran, Venezuela and Mexico. Following the Spanish government's announcement about ending the program, Chinese investors stampeded to acquire houses in Spain, much like a "final sale" at a shoe store, where buyers rush in as the shoes run out. As a result, Spain's housing market prices blew up, leaving many locals unable to afford homes.

About Indonesia's Golden Visa, I urge the government to never forget that establishing a company requires land. We all know that much of the available land is still occupied by indigenous and local communities that have lived there for generations and hold ownership rights. If these communities disagree with foreign investors managing their land, particularly companies operating in the extractive sector, it will exert negative impacts, and they are not involved in the investment and development process: the result may be social conflict rather than a "multiplier effect."

Not to mention how small communities and indigenous peoples may lose their property rights. As we all know, protecting communities and their legally-obtained property is a fundamental element of economic freedom and civil society. If there is no policy framework for "due diligence" to evaluate foreign investors' backgrounds and provide "green light" simply for the money they have, a risk of money laundering will inevitably arise.

Indonesia must continue to review and evaluate the Golden Visa policy, as several countries like the UK, Australia, and Spain have curtailed the program, as a result of potential issues. If the Government wishes to keep implementing the program, it must establish a "due diligence" mechanism to investigate foreign investors seeking to obtain the Indonesian Golden Visa.

A government administration that maintains economic and political stability cannot only succeed with a Golden Visa protocol, but must also capture other "conventional" investment opportunities, which requires a strong rule of law, transparent and accountable policy enforcement officials, driven by multi-stakeholder cooperation and collaboration. The Golden Visa policy should not create a dichotomy between "fear of missing out" (FOMO) and efforts to build the economy through investment sources.