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Legal Certainty in Hotel Acquisitions Through Sustainable Tourism Investment Harmonization

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ABSTRACT

Legal uncertainty surrounding hotel company acquisitions by foreign investors persists because corporate, investment, tourism, environmental, and land regulations remain fragmented and insufficiently coordinated. This study investigates the causes of regulatory inconsistency and proposes a harmonized legal framework capable of strengthening legal certainty while promoting sustainable tourism investment. A normative legal research design was employed using statutory, conceptual, and comparative approaches, supported by qualitative analysis of primary and secondary legal materials. The findings demonstrate that existing regulations primarily emphasize transactional legality and investment facilitation without adequately integrating sustainability principles into acquisition governance. As a result, overlapping authorities and disconnected legal provisions continue to weaken regulatory coherence and investor confidence. The principal novelty of this research lies in developing a harmonized regulatory model that integrates legal substance, institutional coordination, and legal culture throughout the pre-acquisition, approval, post-acquisition, and monitoring stages. This model offers a comprehensive governance framework that balances investment certainty with environmental protection, socio-cultural preservation, and sustainable tourism development. Future studies should empirically evaluate the implementation of this model across different jurisdictions and tourism destinations to assess its practical effectiveness. Overall, regulatory harmonization provides a strategic legal foundation for achieving coherent investment governance and sustainable tourism development.

Keywords: *Foreign Investment; Hotel Company Acquisitions; Legal Certainty; Regulatory Harmonization; Sustainable Tourism Investment.*

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INTRODUCTION

Foreign direct investment (FDI) has become a principal driver of economic development, particularly in countries where tourism functions as a strategic sector for national growth. Corporate acquisition is an increasingly preferred investment mechanism because it enables investors to obtain immediate control over established business entities while reducing the operational risks associated with establishing new enterprises. Within the hospitality industry, acquisitions facilitate capital inflow, managerial improvements, technological advancement, and international market integration. However, hotel acquisitions extend beyond ordinary corporate transactions because they involve strategic assets closely associated with land tenure, environmental protection, tourism governance, cultural preservation, and regional economic development. Consequently, legal regulations governing hotel acquisitions should not merely ensure transactional validity but also provide legal certainty capable of balancing investment interests with sustainable tourism development (Rahardjo, 2006; Nurhayati, 2020).

Indonesia has adopted numerous regulatory reforms to improve its investment climate through simplified licensing procedures, stronger investor protection, and broader market access. Liberalization policies have significantly increased opportunities for foreign investors to acquire domestic hotel companies in China. Although these reforms contribute to economic growth and strengthen Indonesia's competitiveness in attracting international investment, they simultaneously expose weaknesses in the existing legal framework. Hotel acquisitions are regulated by multiple legal regimes, including corporate, investment, tourism, agrarian, environmental, and competition laws, as well as regional regulations. Each regime pursues different regulatory objectives and institutional mandates however, none provides an integrated mechanism for governing hotel acquisitions within the broader framework of sustainable tourism investment. Consequently, legal fragmentation generates uncertainty regarding the relationships among ownership transfers, environmental obligations, land governance, cultural preservation, and public interests.

Existing legislation primarily regulates acquisitions from the perspective of corporate legality and investment facilitation. Corporate law emphasizes shareholder approval, disclosure requirements, and corporate control, whereas investment law prioritizes business certainty and equal treatment of investors. Conversely, tourism legislation promotes sustainability through environmental protection, community participation, and cultural preservation, while agrarian and environmental regulations establish separate obligations regarding land utilization and ecological management. These regulatory frameworks continue to operate independently without sufficient legal integration. Consequently, acquisitions that satisfy procedural corporate requirements may still generate uncertainty concerning post-acquisition environmental responsibilities, effective control over strategic land assets, or compliance with sustainable tourism principles. Such conditions demonstrate that legal certainty cannot be achieved solely through procedural compliance but requires harmonization among the interconnected legal regimes governing foreign investment in strategic tourism sectors(Rahardjo, 2010).

The complexity of this issue becomes even more apparent in Indonesia's decentralized governance system. Regional governments frequently adopt tourism policies that reflect local cultural values and complement national legislation. For example, Bali incorporates the philosophy of Tri Hita Karana into tourism governance to ensure harmony among environmental sustainability, cultural preservation, and community welfare. However, the national investment regulations governing foreign acquisitions do not explicitly require compliance with these regional sustainability standards during ownership transfers. Consequently, regulatory inconsistency exists not because of direct statutory conflict but because of fragmented governance, overlapping institutional authority, and insufficient coordination among the sectoral legal frameworks. These conditions create a normative gap that weakens legal certainty and reduces the effectiveness of sustainable tourism governance.

Previous research has substantially contributed to the understanding of foreign investment, corporate acquisitions, competition law, and tourism governance. Studies byPutra (2019),Dewi (2021),Hidayat (2022),Sutrisno (2018), and Rahmawati (2020) have examined legal protection for domestic enterprises, foreign investment regulations, market concentration, and broader regulatory harmonization. Nevertheless, existing studies generally analyze these issues independently within separate legal frameworks. Research on acquisitions predominantly focuses on corporate governance or investor protection, whereas studies on tourism emphasize sustainable destination management without examining the legal implications of ownership transfers. Comparatively limited attention has been devoted to investigating how corporate, investment, tourism, agrarian, environmental, and competition laws and regional regulations collectively influence legal certainty in hotel acquisitions undertaken by foreign investment companies. Likewise, previous studies have rarely proposed an operational legal framework that integrates sustainability obligations into every stage of the acquisition process.

These limitations reveal both theoretical and practical gaps in the existing literature. From a theoretical perspective, legal certainty has largely been interpreted as consistency within individual statutory regimes rather than coherence across interconnected legal sectors. From a practical perspective, current regulatory recommendations generally advocate harmonization without identifying concrete legal mechanisms that can integrate sustainability principles into acquisition governance. Consequently, important issues including effective corporate control, beneficial ownership transparency, environmental accountability, land governance, and post-acquisition compliance remain insufficiently addressed despite their direct influence on sustainable tourism development.

This study addresses these gaps by developing an integrated perspective that conceptualizes legal certainty as the outcome of harmonized regulation across multiple legal regimes rather than isolated statutory compliance. Unlike previous studies, this study examines hotel acquisitions through the interaction of corporate, foreign investment, tourism, agrarian, environmental, competition, and regional regulatory instruments within a single analytical framework. Furthermore, this study proposes a legal harmonization model that embeds sustainability principles throughout the acquisition process, encompassing pre-acquisition assessment, acquisition approval, post-acquisition obligations, supervision, and regulatory evaluation. The proposed model also introduces effective control and beneficial ownership transparency as substantive legal parameters for evaluating changes in corporate control while strengthening coordination among relevant regulatory institutions. This integrated approach represents the principal novelty of thise study because it extends conventional legal certainty theory beyond procedural corporate compliance toward comprehensive governance capable of simultaneously promoting investment certainty, environmental protection, cultural preservation, and national economic interests.

Accordingly, this study seeks to answer two fundamental questions: why the existing legal framework governing hotel company acquisitions by Foreign Investment Limited Liability Companies (PT PMA) has not yet provided adequate legal certainty within the context of sustainable tourism investment, and how legal harmonization should be formulated to establish a coherent regulatory framework capable of balancing investment liberalization with sustainable tourism governance. Therefore, this study aims to analyze the causes of regulatory fragmentation affecting hotel acquisitions and formulate a comprehensive legal harmonization model by integrating corporate, investment, tourism, agrarian, environmental, and competition laws into a coherent framework. The findings are expected to contribute both theoretically by advancing legal certainty and legal harmonization scholarship and practically by providing policymakers with recommendations for developing a more integrated, predictable, and sustainable investment regime that supports Indonesia's long-term tourism development and national interests.

METHOD

This study employed a normative legal research design to examine legal certainty in hotel company acquisitions conducted by Foreign Investment Limited Liability Companies (Perseroan Terbatas Penanaman Modal Asing/PT PMA) within the framework of sustainable tourism investment. Normative legal research was selected because the research focuses on evaluating the coherence, consistency, and harmonization of legal norms governing foreign investment, corporate acquisitions, tourism governance, land administration, environmental protection, and competition law rather than measuring empirical behavior or statistical relationships(Marzuki, 2021).

Thise study adopted three complementary approaches: statutory, conceptual, and comparativ. The statutory approach was used to analyze the legal framework regulating hotel acquisitions by foreign investors, including legislation concerning limited liability companies, investment, tourism, agrarian affairs, environmental protection, business competition, and relevant regulations. The conceptual approach examined legal certainty theory, legal harmonization theory, sustainable tourism investment principles, and legal system theory as analytical foundations for evaluating the consistency of existing regulations. A comparative approach was applied to compare selected regulatory models governing foreign investment and corporate acquisitions in other jurisdictions to identify legal principles that may strengthen Indonesia's regulatory framework.

The primary materials consisted of Indonesian legislation governing corporate acquisitions, foreign investment, tourism, agrarian affairs, environmental management, business competition, and regional tourism regulations. Secondary legal materials included books, peer-reviewed journal articles, doctoral dissertations, master's theses, government reports, international organizational publications, and other scholarly literature discussing legal certainty, investment law, tourism law, corporate governance, and regulatory harmonization. Tertiary legal materials, including legal dictionaries, encyclopedias, and official legal databases, were consulted to clarify the legal terminology and support doctrinal interpretation.

Data were collected using an extensive library research strategy. Legal documents and scholarly publications were identified using academic databases, government repositories, institutional reports and official legislative sources. Legal materials were selected based on their relevance to foreign investment regulations, hotel acquisition governance, and sustainable tourism investment. Recent international literature was incorporated to strengthen the theoretical foundation and contextualize Indonesian regulations within the broader developments in global investment governance.

The unit of analysis comprised the legal norms governing hotel company acquisitions undertaken by PT PMA and their interactions across multiple regulatory sectors. Rather than treating each statute independently, this study examined the extent to which corporate, investment, tourism, agrarian, environmental, and competition laws and regional regulations collectively contribute to or undermine legal certainty. Particular attention was given to regulatory consistency, institutional coordination, sustainability obligations, ownership transparency, post-acquisition governance, and protection of national interests as key analytical dimensions.

Data analysis was conducted using qualitative legal analysis supported by systematic, grammatical, and teleological interpretations. Systematic interpretation was employed to evaluate the relationship among interconnected statutory provisions, grammatical interpretation was used to determine the ordinary legal meaning of statutory language, and teleological interpretation was used to examine whether existing regulations fulfilled the broader objectives of sustainable tourism investment and legal certainty. The findings from these interpretative processes were synthesized using a legal harmonization framework to identify areas of regulatory fragmentation and formulate an integrated model for governing hotel company acquisitions by foreign investors. The analytical process emphasized doctrinal consistency, regulatory coherence, and practical applicability rather than quantitative measurement or statistical testing.

Through this methodological framework, the study developed a comprehensive legal analysis that not only explains the causes of regulatory fragmentation but also proposes a harmonized regulatory model capable of strengthening legal certainty while promoting sustainable tourism investment in Indonesia.

RESULTS AND DISCUSSION

The normative legal analysis demonstrates that legal uncertainty in hotel company acquisitions undertaken by Foreign Investment Limited Liability Companies

(Perseroan Terbatas Penanaman Modal Asing/PT PMA) does not primarily originate from the absence of legislation but from the fragmented structure of Indonesia's regulatory framework. Existing regulations governing company acquisitions are dispersed across company, investment, tourism, agrarian, environmental, and competition laws, each operating according to distinct regulatory objectives without an integrated governance mechanism capable of coordinating their implementation. Although each statutory regime independently provides legal certainty within its respective sector, the simultaneous application of multiple legal frameworks frequently produces overlapping authority, inconsistent legal interpretation, and fragmented administrative procedures. Consequently, acquisition transactions that satisfy corporate and investment requirements may still generate legal uncertainty regarding environmental obligations, strategic land governance, tourism sustainability, and market competition because these regulatory dimensions remain institutionally disconnected (Rahardjo, 2006; Friedman, 1975).

The study further reveals that existing legislation evaluates acquisitions primarily through procedural legality rather than substantive governance. Company Law emphasizes the legality of corporate restructuring through shareholder approval and share transfers, whereas Investment Law focuses on investment facilitation and investor protection. In contrast, tourism legislation prioritizes environmental conservation, cultural preservation, and community welfare as essential principles of sustainable tourism development. Agrarian legislation regulates land rights, Environmental Law governs ecological responsibility, and Competition Law seeks to prevent excessive market concentration. Despite regulating the same investment activity, these legal regimes operate independently without establishing mandatory coordination throughout the acquisition process. Consequently, legal compliance within one statutory framework does not necessarily ensure compliance with broader sustainability obligations arising from other regulatory sectors. Such fragmentation transforms hotel acquisitions into transactions that are legally valid from a corporate perspective while simultaneously creating uncertainty regarding their environmental, social, and economic consequences (Marzuki, 2021; Hall, 2019;Bramwell & Lane, 2011).

Another important finding is the distinction between formal ownership and effective corporate control. Current regulations predominantly evaluate acquisitions through the transfer of corporate shares, whereas the substantive legal consequences of foreign investment depend largely on changes in decision-making authority following the acquisition. New controlling shareholders determine business strategy, environmental management, employment policy, procurement systems, land utilization, and long-term tourism development. However, Indonesian legislation does not comprehensively assess the implications of governance during the acquisition approval process. Consequently, strategic tourism assets may experience substantial changes in operational management without corresponding reassessments by environmental, agrarian, tourism, or competition authorities. Such conditions reduce regulatory predictability and weaken legal certainty because the legal system focuses primarily on ownership documentation rather than the broader governance implications of corporate control (Patera, 2022;Hall, 2019).

These findings indicate that legal certainty cannot be strengthened through isolated statutory amendments. Instead, harmonization should be understood as an integrated governance strategy that connects legal substance, institutional structure, and implementation practices throughout the acquisition process. Harmonization at the legal substance level requires common sustainability principles that simultaneously accommodate investment certainty, environmental protection, cultural preservation, public welfare, and responsible corporate governance. Institutional harmonization requires coordinated decision-making among investment authorities, tourism agencies, environmental institutions, land administrators, and competition regulators through integrated administrative reviews rather than fragmented sectoral approvals. Equally important, the harmonization of legal culture requires investors and public institutions to regard sustainability commitments as substantive legal obligations rather than procedural administrative requirements. Such an integrated approach reflects Friedman (1975) legal system theory while extending Rahardjo (2006) the concept of legal certainty beyond legislative clarity toward institutional coherence and effective governance.

Building on these findings, this study proposes an integrated legal harmonization model for hotel company acquisitions based on four interconnected regulatory stages. The first stage introduces a pre-acquisition sustainability assessment that requires competent authorities to evaluate environmental capacity, strategic land utilization, tourism development objectives, market competition, and community interests before investment approval is granted. The second stage establishes an integrated inter-agency acquisition review in which investment, tourism, environmental, agrarian, and competition authorities jointly assess acquisition proposals according to unified legal standards. The third stage incorporates effective corporate control as a substantive legal criterion, enabling regulators to evaluate not only formal ownership transfers but also changes in strategic governance affecting tourism sustainability. The final stage introduces post-acquisition monitoring through continuous institutional supervision of environmental performance, land utilization, tourism standards and sustainability commitments. Rather than replacing existing legislation, this harmonization model strengthens the coordination among existing regulatory regimes, thereby reducing administrative fragmentation while improving legal certainty, regulatory consistency, and long-term sustainability (OECD, 2020;UNCTAD, 2023).

Collectively, these findings contribute to the development of legal theory by demonstrating that legal certainty should not be interpreted solely as the predictability of statutory rules but as the coherence of interconnected legal systems governing strategic investment activities. While Friedman (1975) legal system theory emphasizes the interaction between legal substance, structure, and culture, the present study demonstrates that effective interaction among these dimensions requires an operational harmonization mechanism capable of integrating multiple regulatory sectors. Similarly, the findings broaden Rahardjo (2006) the conception of legal certainty by emphasizing that institutional coordination is an essential prerequisite for effective legal governance. This study also enriches the sustainable tourism literature by positioning corporate acquisitions as a critical governance issue rather than merely a commercial transaction. Previous studies have generally discussed tourism sustainability, foreign investment, corporate governance, and environmental regulations independently (Bramwell & Lane, 2011; Dredge & Jamal, 2015;Hall, 2019).

By integrating these perspectives, this study demonstrates that ownership transition significantly influences environmental accountability, cultural preservation, community welfare and investment quality. Accordingly, the principal novelty of this research lies in proposing a harmonized legal framework that integrates company law, investment regulation, tourism governance, agrarian administration, environmental protection, and competition policy into a unified sustainability-oriented governance model. The proposed framework provides a normative foundation for future regulatory reform while simultaneously strengthening Indonesia's capacity to attract foreign investment without compromising environmental integrity, cultural values, or long-term sustainable tourism development (UNCTAD, 2023 OECD, 2020).

Table 1. Proposed Legal Harmonization Framework for Hotel Company Acquisitions

Harmonization Stage	Existing Regulatory Practice	Proposed Harmonized Approach	Expected Outcome
Pre-acquisition	Administrative and corporate document review	Integrated sustainability assessment	Early identification of legal and sustainability risks
Acquisition approval	Separate institutional approvals	Coordinated inter-agency review	Greater regulatory consistency and legal certainty
Corporate governance	Formal ownership verification	Effective corporate control assessment	Better protection of strategic tourism assets
Post-acquisition	Sector-specific supervision	Integrated sustainability monitoring	Continuous legal accountability and sustainable investment governance

Source: Processed data, 2026

CONCLUSION

Legal certainty in hotel company acquisitions by Foreign Investment Limited Liability Companies (PT PMA) cannot be achieved solely through the existence of multiple statutory regulations because the principal source of uncertainty lies in the fragmented governance of corporate, investment, tourism, agrarian, environmental, and competition laws. Although each legal regime independently provides normative guidance, the absence of substantive and institutional harmonization weakens regulatory coherence, creates overlapping authority, and limits the capacity of the legal system to balance investment certainty with environmental sustainability, cultural preservation, and public welfare issues. The findings demonstrate that sustainable tourism investment should serve as the normative foundation for harmonizing these interconnected legal frameworks by integrating legal substance, structure, and culture into a unified governance model that extends throughout the acquisition process, from pre-acquisition assessment to post-acquisition monitoring. Such harmonization shifts the regulatory focus beyond procedural compliance toward the evaluation of effective corporate control, long-term sustainability commitments and coordinated institutional decision-making. Accordingly, legal certainty should be understood not merely as the predictability of legal rules but as the ability of an integrated legal framework to provide consistent, transparent, and accountable governance for strategic tourism investments. This study concludes that harmonization based on sustainable tourism investment offers a comprehensive legal approach capable of strengthening investor confidence while simultaneously safeguarding Indonesia's environmental integrity, cultural heritage, strategic tourism assets, and long-term national development objectives

Conflict of Interest declaration

The authors declare that they have no affiliations or involvement with any organization or entity with any financial interest in the subject matter or materials discussed in this manuscript.

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