



ICLG

The International Comparative Legal Guide to:

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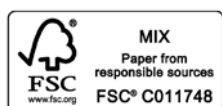
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- **Preface** by Gary Born, Chair, International Arbitration Practice Group,
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Indonesia



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1 Arbitration Agreements

1.1 What, if any, are the legal requirements of an arbitration agreement under the laws of your jurisdiction?

The primary source of the arbitration law under Indonesian law is found in Law No. 30 of 1999 on Arbitration and Alternative Dispute Resolution (the “**Arbitration Law**”), which was promulgated on 12 August 1999. Pursuant to the Arbitration Law, an arbitration agreement must be made in writing and signed by the parties and may be in the form of: (i) an arbitration clause contained in a written agreement made prior to the dispute; or (ii) an agreement specially made out by the parties after the onset of the dispute. Alternatively, the parties may make the separate arbitration agreement in notarial deed form.

Additionally, if the arbitration agreement is made prior to the dispute, Article 2 of the Arbitration Law requires the agreement to clearly state that all disputes which arise or may arise from the legal relationship between the parties shall be settled by means of arbitration.

If the arbitration agreement is made after the dispute arises, Article 9 paragraph (3) requires the agreement to include the following:

- a. the subject matter of the dispute;
- b. the full names and addresses of the parties;
- c. the full name(s) and residential address(es) of the arbitrator or the members of the tribunal;
- d. the place where the arbitrator or the tribunal shall make its/their award;
- e. the full name of the secretary to the arbitrator or the tribunal;
- f. the time period in which the arbitration is to be completed;
- g. a statement from the arbitrator(s) accepting appointment as such; and
- h. a statement from the disputing parties that they will bear all costs of the arbitration.

An arbitration agreement is also considered to be already agreed when the agreement is contained in an exchange of letters made by means of communication which provides a record of their content; however, the dispatch of the letters by telex, telegram, facsimile, email or other telecommunications facilities must be accompanied by a note of receipt by the parties.

1.2 What other elements ought to be incorporated in an arbitration agreement?

In practice, the following elements are also suggested to be incorporated into an arbitration agreement:

1. the arbitration rules to be followed;
2. the number of arbitrators;
3. the language to be used in the arbitral proceedings;
4. the place of arbitration;
5. a waiver of Article 48 paragraph (1) of the Arbitration Law which requires the examination of disputes to be finished not later than 180 (one hundred and eighty) days as of the constitution of the tribunal. This is, however, optional and is suggested given the fact that, in practice, arbitration may run for more than 180 (one hundred and eighty) days; and
6. whether the award must be made on the basis of strict rules of law or *ex aequo et bono* (fairness and appropriateness).

1.3 What has been the approach of the national courts to the enforcement of arbitration agreements?

Indonesian law recognises the *pacta sunt servanda* principle under Article 1338 of the Indonesian Civil Code. This concept ensures that the relevant parties are free to determine their choice of forum *in their respective contracts*. Once parties have chosen arbitration as their choice of forum, the parties and other third parties, including the government and/or judicial institution that may have been affected in the future by such agreement, must honour the parties’ choice. Hence, while parties in dispute refer to the arbitration agreement incorporated in contracts, the court is compelled to honour the elected forum and declare that it does not therefore have the authority to try the case. Our Arbitration Law has integrated the principle of *pacta sunt servanda* and further reinstated its position towards the enforcement of arbitration agreements at the national courts. Article 3 and Article 11 of the Arbitration Law basically repudiate the national courts’ competence to try a case which has clearly been referred to arbitration, and rules that national courts must reject and will not be involved in disputes that should have been settled by means of arbitration. This has also been affirmed by jurisprudences of the Supreme Court of Indonesia; for example, in case number 3179 K/PDT/1984 dated 4 May 1988.

However, in practice – *although not common* – there are several court cases where a court accepts jurisdiction despite the parties having chosen arbitration as their choice of forum in the contract. In those cases, the party filing the case to the court usually argues the case as a tort claim instead of breach of contract. The argument of filing the case under a tort claim (instead of breach of contract) is used in order to avoid the application of the arbitration clause in the contract. This has of course raised controversy, as it invites further questions on the distinction of a case under ‘tort’ and ‘breach of contract’.

Nevertheless, the party who seeks to rely on the arbitration clause may raise a jurisdictional challenge to the court. This jurisdictional challenge under Indonesian law is regulated in Article 134 of the Indonesian Civil Procedural Law (*Herziene Inlands Reglement*) (*Staatsblad 1941 No. 44*) or “HIR”.

2 Governing Legislation

2.1 What legislation governs the enforcement of arbitration proceedings in your jurisdiction?

The procedure for the enforcement of an arbitral award under Indonesian law is governed by the Arbitration Law.

2.2 Does the same arbitration law govern both domestic and international arbitration proceedings? If not, how do they differ?

The Arbitration Law only provides the procedures for domestic arbitration proceedings. Basically, no express distinction is governed by the Arbitration Law in defining what ‘domestic’ and ‘international’ arbitration proceedings are. The reference to the ‘international’ element is only stipulated in Article 1 paragraph (9) of the Arbitration Law, which defines an international arbitral award as “[a]n award handed down by an arbitration institution or individual arbitrator outside the jurisdiction of the Republic of Indonesia, or an award by an arbitration institution or individual arbitrator which under the provisions of laws of the Republic of Indonesia is deemed as an international arbitration award”. Nonetheless, the Arbitration Law is receptive to the option of international arbitration proceedings. It imparts the selection of domestic or international proceedings under Article 34 of the Arbitration Law. In addition, the Arbitration Law only stipulates the procedure of execution and recognition of international arbitration awards in Indonesia.

2.3 Is the law governing international arbitration based on the UNCITRAL Model Law? Are there significant differences between the two?

No, the Arbitration Law is not based on the UNCITRAL Model Law. There are several significant differences which distinguish the Arbitration Law from the UNCITRAL Model Law, such as:

- (i) Unless the parties agree otherwise, under the Arbitration Law the default language will be in the Indonesian language, regardless of the language of the documents involved.
- (ii) Under the Arbitration Law, a case is decided on documents unless the parties or the arbitrators wish to have hearings, while the UNCITRAL Model Law requires hearings unless the parties agree otherwise.
- (iii) The grounds for annulment of Indonesian awards only consist of fraud, forgery or concealed material documents, which are clearly far more restricted than those set out in the UNCITRAL Model Law.

2.4 To what extent are there mandatory rules governing international arbitration proceedings sited in your jurisdiction?

Article 34 of the Arbitration Law governs the parties’ freedom to choose the national or international arbitration institution they wish to submit their disputes to. In such case, the rules of such institution will apply unless otherwise decided.

3 Jurisdiction

3.1 Are there any subject matters that may not be referred to arbitration under the governing law of your jurisdiction? What is the general approach used in determining whether or not a dispute is “arbitrable”?

Under Article 5 paragraph (2), the disputes which cannot be resolved by arbitration are those for which, according to regulations having the force of law, no amicable settlement is possible; for example, criminal matters, bankruptcy, adoption, etc.

The general approach in determining ‘arbitrability’ is regulated under Article 5 paragraph (1), which states that a dispute can be settled by means of arbitration by seeing if the disputes are of a commercial nature and involving the rights of the disputed parties.

A rather explicit indication of what constitutes disputes of a commercial nature is confirmed in the elucidation of Article 66 of the Arbitration Law, which quotes “[i]nternational arbitration awards as contemplated in item (a) above, are limited to awards which under the provision of Indonesian law fall within the scope of commercial law”. This has clarified that the scope of commercial law includes, among others, activities in the following areas:

- commerce;
- banking;
- finance;
- investment;
- industry; and
- intellectual property rights.

3.2 Is an arbitral tribunal permitted to rule on the question of its own jurisdiction?

Although the Arbitration Law does not provide specific provisions regarding the *kompetenz-kompetenz* doctrine, Articles 3 and 11 of the Arbitration Law, which prohibit Indonesian courts to involve itself in an arbitration, impliedly suggest that the arbitral tribunal has the authority to determine its own jurisdiction.

3.3 What is the approach of the national courts in your jurisdiction towards a party who commences court proceedings in apparent breach of an arbitration agreement?

The recent court cases showed that the national courts will generally refuse to try a case of breach of contract if the contract contains an arbitration clause.

3.4 Under what circumstances can a national court address the issue of the jurisdiction and competence of an arbitral tribunal? What is the standard of review in respect of a tribunal’s decision as to its own jurisdiction?

A national court can address the issue of the jurisdiction and competence of an arbitral tribunal at the time an application is made to the Chairman of the relevant District Court for an *exequatur* (an order to enforce an arbitral award). Such application may be filed after the award is registered with the Clerk of the District Court in the event that the parties do not voluntarily comply with the award (see Article 61 of the Arbitration Law).

The standard of review by the Chairman of the District Court prior to deciding whether an award is enforceable is to consider whether the arbitration case is of a commercial nature and is arbitrable, and that the award is not contrary to public policy.

3.5 Under what, if any, circumstances does the national law of your jurisdiction allow an arbitral tribunal to assume jurisdiction over individuals or entities which are not themselves party to an agreement to arbitrate?

According to Article 30 of the Arbitration Law, third parties outside the arbitration agreement may participate and join themselves into the arbitral process, if they have related interests and their participation is agreed to by the parties in dispute and by the arbitrator or arbitration tribunal that examines the relevant disputes.

3.6 What laws or rules prescribe limitation periods for the commencement of arbitrations in your jurisdiction and what is the typical length of such periods? Do the national courts of your jurisdiction consider such rules procedural or substantive, i.e., what choice of law rules govern the application of limitation periods?

There are no specific rules in the Arbitration Law stipulating a limitation period for the commencement of arbitration. However, the general terms of such statute of limitation for civil matters are provided in the Indonesian Civil Code, which provides for a limitation period of 30 (thirty) years.

3.7 What is the effect in your jurisdiction of pending insolvency proceedings affecting one or more of the parties to ongoing arbitration proceedings?

Under Indonesian Bankruptcy Law No. 37 of 2004 on Bankruptcy and Suspension of Debt Repayments (the “**Bankruptcy Law**”), in the event where a debtor has been declared bankrupt, any legal proceedings initiated by the debtor may, at the request of the defendant, be suspended so as to give the liquidator the opportunity to assume control of the proceedings and determine whether to continue them. This is regulated under Article 28(1) of the Bankruptcy Law. Although the Bankruptcy Law does not clearly stipulate whether this provision applies to arbitration; in practice, Indonesian court judges may choose to apply the provision.

4 Choice of Law Rules

4.1 How is the law applicable to the substance of a dispute determined?

The law applicable to the substance of the disputes is determined under the choice of law rules. Article 1338 of the Indonesian Civil Code gives freedom to the parties to choose their own governing law to the disputes. The parties’ choice of law may, however, be challenged if it violates Indonesian law or is contrary to public morals or public policy.

4.2 In what circumstances will mandatory laws (of the seat or of another jurisdiction) prevail over the law chosen by the parties?

To the extent of the applicability of Indonesian law as mandatory laws (of the seat of the arbitration), Indonesian law prevails over the

law chosen by the parties provided that the law chosen by the parties is contrary to Indonesian law or to public policy.

4.3 What choice of law rules govern the formation, validity, and legality of arbitration agreements?

The law governing the formation, validity and legality of arbitration agreements is the law that the parties have expressly chosen. If, however, the Arbitration Law applicable is the law of the seat of the arbitration, then the Arbitration Law will govern the formation, validity and legality of the arbitration agreement.

5 Selection of Arbitral Tribunal

5.1 Are there any limits to the parties’ autonomy to select arbitrators?

The limitations to select arbitrators are:

- Pursuant to Article 12 paragraph (1) of the Arbitration Law, the person who can be appointed or assigned to become an arbitrator shall fulfil the following requirements:
 - a. capable of undertaking legal actions;
 - b. being at least 35 years old;
 - c. having no relations by blood or marriage to the second degree with either party to the dispute;
 - d. having no financial interests or other interests in the decision of the arbitration; and
 - e. having experience and actively mastering the field for at least 15 years.
- Pursuant to Article 12 paragraph (2) of the Arbitration Law, judges, prosecutors, secretaries and other officials of court cannot be appointed or designated as arbitrators.

5.2 If the parties’ chosen method for selecting arbitrators fails, is there a default procedure?

Yes, there are default procedures provided under the Arbitration Law:

- pursuant to Article 13 paragraph (1) of the Arbitration Law, in the case of parties failing to reach an agreement on the choice of arbitrators, or if no terms have been set concerning the appointment of arbitrators, the Chairman of the District Court shall be authorised to appoint the arbitrators or arbitration tribunal;
- pursuant to Article 13 paragraph (2) of the Arbitration Law, in the case of *ad hoc* arbitration, where there is any disagreement between parties with regard to the appointment of an arbitrator, the parties can file applications to the Chairman of the District Court to appoint one or more arbitrators for the resolution of such disputes;
- pursuant to Article 14 paragraph (3) of the Arbitration Law, in the case where parties have agreed to a sole arbitrator but the parties have not reached any agreement within 14 (fourteen) days after the respondent receives the claimant’s proposal, then at the request of one of the parties, the Chairman of the District Courts may appoint the sole arbitrator; and
- pursuant to Article 15 paragraph (3) of the Arbitration Law, in the case where one of the parties has failed to appoint a person as a member of an arbitration panel within no more than 30 (thirty) days after the receipt of notification by the other party, then the arbitrator appointed by the other party shall act as the sole arbitrator and any decision of the sole arbitrator shall be binding upon both parties.

5.3 Can a court intervene in the selection of arbitrators? If so, how?

Yes, a court can intervene in the selection of arbitrators in the following situations:

- pursuant to Article 13 of the Arbitration Law, if the parties do not reach an agreement or no terms have been set concerning the appointment of arbitrators; and
- pursuant to Article 25 of the Arbitration Law, in the case a recusal filed by one of the parties is not consented to by the other party and the arbitrator concerned is unwilling to resign, the party concerned may submit its request for recusal to the Chairman of the District Court, whose decision binds the two parties and shall not be subject to appeal.

5.4 What are the requirements (if any) imposed by law or issued by arbitration institutions within your jurisdiction as to arbitrator independence, neutrality and/or impartiality and for disclosure of potential conflicts of interest for arbitrators?

The parties must consider the following requirements when appointing arbitrators:

- pursuant to Article 12 paragraph (1)(c) of the Arbitration Law, the arbitrator must not have any relations by blood or marriage to the second degree with any of the parties in dispute;
- pursuant to Article 12 paragraph (1)(d) of the Arbitration Law, the arbitrator must not have any financial interests or other interests in the arbitral award;
- pursuant to Article 12 paragraph (2) of the Arbitration Law, judges, prosecutors, clerks of court and other officials of court may not be appointed or designated as arbitrators;
- pursuant to Article 18 paragraph (1) of the Arbitration Law, a prospective arbitrator asked by one party to sit on the arbitration panel shall be obliged to advise the parties on any matter which could influence his independence or give rise to bias in the award to be rendered;
- pursuant to Article 22 of the Arbitration Law, a demand for recusal may be submitted against an arbitrator if sufficient cause and authentic evidence is found to give rise to suspicions that such arbitrator will not perform his/her duties independently and will be biased in rendering an award. A request for the recusal of an arbitrator may also be made if it is proven that there is a family-related matter, financial or employment relationship with one of the parties or its legal representative; and
- pursuant to Article 26 paragraph (2) of the Arbitration Law, an arbitrator may be dismissed from his/her mandate in the event that he/she is shown to be biased or demonstrates disgraceful behaviour which must be proven through legal proceedings.

6 Procedural Rules

6.1 Are there laws or rules governing the procedure of arbitration in your jurisdiction? If so, do those laws or rules apply to all arbitral proceedings sited in your jurisdiction?

Basically, parties are entitled to determine any arbitration rules to be applied in their proceeding provided that it does not conflict with the Arbitration Law. The Arbitration Law itself also governs the procedure of arbitration in Indonesia.

6.2 In arbitration proceedings conducted in your jurisdiction, are there any particular procedural steps that are required by law?

Yes, under the Arbitration Law, there are particular procedural steps that are required to be conducted in arbitration proceedings, such as the appointment of arbitrators, challenges to arbitrators, submission of a statement of claim, matters that should at least be inserted into a statement of claim, enforcement of arbitral awards and challenges to the enforcement of the arbitral award.

6.3 Are there any particular rules that govern the conduct of counsel from your jurisdiction in arbitral proceedings sited in your jurisdiction? If so: (i) do those same rules also govern the conduct of counsel from your jurisdiction in arbitral proceedings sited elsewhere; and (ii) do those same rules also govern the conduct of counsel from countries other than your jurisdiction in arbitral proceedings sited in your jurisdiction?

There is no particular rule that governs the conduct of counsel from Indonesia in arbitral proceedings sited in Indonesia.

However, in general, the profession of legal counsels in Indonesia is regulated under Law No. 18 of 2003 on Advocates (“**Advocates Law**”). Hence, Indonesian counsels and non-Indonesian counsels are to adhere to Advocates Law when practising or acting as an attorney in Indonesia.

Separately, the guidelines on the conduct of an Indonesian counsel had been referred to the Ethic Code of Advocates, which is issued by Indonesian advocates associations.

It should be noted that the term legal counsel in Indonesia under the Advocates Law refers to a practising lawyer who has been admitted to practise in Indonesia.

Having the clarifications in mind, set out below are the responses to the two questions above:

- (i) On the question: do those same rules also govern the conduct of counsel from Indonesia in arbitral proceedings sited elsewhere?

Yes. The provisions of the Advocates Law and the Ethic Code of Advocates govern the conduct of Indonesian counsels in arbitral proceedings sited outside Indonesia as well.

- (ii) On the question: do those same rules also govern the conduct of counsel from countries other than Indonesia in arbitral proceedings sited in Indonesia?

Provided that the foreign counsels are engaged or hired as employees or experts in the relevant foreign law by an Indonesian law office as permitted by the government and recommended by an advocates association, i.e. the Indonesian Advocates Association (*Perhimpunan Advokat Indonesia* or “**PERADI**”), then the same rules govern and apply to foreign counsels as well.

It should be noted that although a foreign counsel is admitted to practise in his/her home country, he/she must follow the procedure under the Advocates Law in order to be able to provide his/her legal services in Indonesia; for example, he/she must be associated with a local counsel.

6.4 What powers and duties does the national law of your jurisdiction impose upon arbitrators?

The Arbitration Law imposes powers and duties upon arbitrators as follows:

- pursuant to Article 17 paragraph (2) of the Arbitration Law, an arbitrator or arbitrators shall render the award fairly, justly and in accordance with the law;
- pursuant to Article 32 paragraph (1) of the Arbitration Law, based on an application of one of the parties, the arbitrator or arbitration tribunal can make a provisional award or other interlocutory decision to regulate the running of the examination of the disputes, such as security attachments, deposit of goods with third parties, or selling of perishable goods;
- pursuant to Article 33 of the Arbitration Law, the arbitrator or arbitration tribunal has the authority to extend its terms of office: (a) if a request is made by one of the parties in special circumstances; (b) as a consequence of the provisional award or other interim decision being made; or (c) if the arbitrator or arbitration tribunal deems it necessary in the interest of the hearing;
- pursuant to Article 35 of the Arbitration Law, the arbitrator or arbitration tribunal may order any document or evidence to be accompanied by a translation copy in the language determined by the arbitrator or arbitration tribunal;
- pursuant to Article 37 paragraph (1) of the Arbitration Law, the arbitrator or arbitration tribunal can determine the venue of the arbitration unless agreed by the parties;
- pursuant to Article 37 paragraph (2) of the Arbitration Law, the arbitrator or arbitration tribunal may hear witness testimonies or hold meetings if deemed necessary in a certain place outside the venue of arbitration;
- pursuant to Article 37 paragraph (4) of the Arbitration Law, the arbitrator or arbitration tribunal may conduct a local inspection of goods in dispute or other matters connected with disputes, at the location of such property, and if deemed necessary, the parties shall be properly summoned so that they may also be present at such examination;
- pursuant to Article 46 paragraph (3) of the Arbitration Law, the arbitrator or arbitration tribunal shall be empowered to require the parties to provide such supplementary written submissions of explanations, documentary or other evidence as deemed necessary within such time limitation determined by the arbitrator or arbitration tribunal;
- pursuant to Article 49 paragraph (1) of the Arbitration Law, upon the order of the arbitrator or arbitration tribunal or the request of the parties, one or more witnesses or expert witnesses may be summoned to give testimony; and
- pursuant to Article 50 paragraph (1) of the Arbitration Law, the arbitrator or arbitration tribunal may request the assistance from one expert witness or more to provide a written report concerning any specific matter relating to the merits of the dispute.

6.5 Are there rules restricting the appearance of lawyers from other jurisdictions in legal matters in your jurisdiction and, if so, is it clear that such restrictions do not apply to arbitration proceedings sited in your jurisdiction?

There are no specific rules restricting the appearance of lawyers from other jurisdictions in legal matters in Indonesia. The Advocates Law only states the prohibition of lawyers from other jurisdictions from practising law in Indonesia (see Article 23 (1) of the Advocates Law). However, it is not clear whether this prohibition applies to appearances in arbitration proceedings.

6.6 To what extent are there laws or rules in your jurisdiction providing for arbitrator immunity?

Article 21 of the Arbitration Law regulates that the arbitrator or

arbitration tribunal may not be held legally responsible for any action taken during the proceedings to carry out the function of an arbitrator or arbitration tribunal, unless it is proven that there was bad faith in the action. However, if the arbitrators or arbitration tribunal without valid reasons fail to render an award within the specified period, such arbitrator(s) may be ordered to pay the parties compensation for the costs and losses caused by the delay.

6.7 Do the national courts have jurisdiction to deal with procedural issues arising during an arbitration?

Yes, pursuant to the Arbitration Law, the national courts have jurisdiction on the nomination of arbitrators and dismissal of arbitrators due to impartiality or conflict of interest. These matters are regulated under among others Articles 13, 15 and 25 of the Arbitration Law.

7 Preliminary Relief and Interim Measures

7.1 Is an arbitral tribunal in your jurisdiction permitted to award preliminary or interim relief? If so, what types of relief? Must an arbitral tribunal seek the assistance of a court to do so?

Yes, Article 32 paragraph (1) of the Arbitration Law gives the entitlement to the arbitral tribunal, at the request of one of the parties, to issue a preliminary award or interim relief. Such relief deals with the manner of running the examination of the dispute, including decreeing a security attachment, ordering the deposit of goods with third parties or the sale of perishable goods.

There is no requirement in the Arbitration Law that the arbitrator must seek the assistance of the court to issue such award. The assistance of the court is only required during the enforcement of the award.

7.2 Is a court entitled to grant preliminary or interim relief in proceedings subject to arbitration? In what circumstances? Can a party's request to a court for relief have any effect on the jurisdiction of the arbitration tribunal?

No, the court is not entitled to grant preliminary or interim relief in proceedings subject to arbitration.

7.3 In practice, what is the approach of the national courts to requests for interim relief by parties to arbitration agreements?

The court has no jurisdiction in a case subject to a legally binding arbitration clause or arbitration agreement. Therefore, it also does not have the jurisdiction for requests for interim relief by parties to arbitration agreements.

7.4 Under what circumstances will a national court of your jurisdiction issue an anti-suit injunction in aid of an arbitration?

Indonesian law does not recognise an anti-suit injunction in aid of an arbitration.

7.5 Does the law of your jurisdiction allow for the national court and/or arbitral tribunal to order security for costs?

The Arbitration Law or Indonesian civil procedural laws do not

explicitly provide any provisions relating to security for costs. However, it is possible for an arbitrator to mutually agree on such matter with the parties for, e.g., advance payment for the cost, pursuant to Article 17 (1) of the Arbitration Law, as the appointment of the arbitrator may be seen as a contract between the arbitrator and the parties.

7.6 What is the approach of national courts to the enforcement of preliminary relief and interim measures ordered by arbitral tribunals in your jurisdiction and in other jurisdictions?

Although the Arbitration Law acknowledges preliminary relief and interim measures ordered by arbitral tribunals, it does not stipulate a specific procedure for the enforcement of interim measures or preliminary relief. Thus, similar to arbitral awards, such interim measures or preliminary relief have taken the assumption to follow the same procedures of arbitral awards in order to be enforceable, i.e. they must be registered to obtain a writ of execution. However, the finality and binding power requirements necessary under the Arbitration Law for the recognition and enforcement of these interim measures and preliminary reliefs may cause difficulty regarding the implementation of this scheme. As yet, we are not aware of any ruling by an Indonesian court on the finality and enforceability of both domestic and international interim measures and preliminary relief.

8 Evidentiary Matters

8.1 What rules of evidence (if any) apply to arbitral proceedings in your jurisdiction?

The general principle of rules of evidence applicable in Indonesian law is regulated in Articles 162–177 of HIR, which is also relevant to the arbitration proceedings. In an *ad hoc* arbitration proceeding, the parties to the arbitration are provided with an equal opportunity to explain their positions in writing and to submit evidence necessary to support their stance based on Article 46 of the Arbitration Law. In addition, evidence may also be made verbally with the approval of the parties concerned or if deemed necessary by the arbitrators or arbitration tribunal pursuant to Article 36 paragraph (2) of the Arbitration Law.

Arbitration institutions in Indonesia, such as BANI, have their own regulations regarding rules of evidence. For example, the general rules of evidence under the BANI Rules are as follows:

- i. each of the parties has the burden to explain its position, to submit evidence substantiating that position and to prove the facts relied upon it in support of its Statement of Claim or Reply (Article 23 paragraph 1 of the BANI Rules);
- ii. the tribunal may, if it considers it appropriate, require the parties to address any enquiry or present any documentation the tribunal deems necessary, and/or to present a summary of all documents and other evidence which that party has presented and/or intends to present in support of the facts in issue set out in its Statement of Claim or Reply, within such time limits as the tribunal shall deem appropriate (Article 23 paragraph 2 of the BANI Rules);
- iii. the tribunal shall determine the admissibility, relevance, materiality and weight of the evidence offered (Article 23 paragraph 3 of the BANI Rules); and
- iv. if the tribunal considers it necessary, and/or at the request of either party, expert or factual witnesses may be summoned who may be required by the tribunal to present testimony first in a written statement, and on the basis of the written

testimony the tribunal may determine, on its own or upon request of either party, whether oral testimony is required (Article 23 paragraph 4 of the BANI Rules).

8.2 What powers does an arbitral tribunal have to order disclosure/discovery and to require the attendance of witnesses?

The Arbitration Law is silent on of the arbitrator's authority to order the disclosure /discovery. Nevertheless, Article 46 paragraph (3) of the Arbitration Law stipulates that the arbitrator has the authority to request the parties to produce additional written explanations, documents or other evidence deemed necessary within a time period as determined by the arbitrator.

8.3 Under what circumstances, if any, can a national court assist arbitral proceedings by ordering disclosure/discovery or requiring the attendance of witnesses?

The Arbitration Law does not provide any provision that permits court intervention in the matter of disclosure/discovery. In practice, a certain exception may be given by the tribunal to the parties to disclose matters in dispute, which are requested by a government institution including a court for either a compliance mandate or any other legal matters. Further, the principle of compulsory discovery is not recognised under Indonesian Civil Procedural Law.

8.4 What, if any, laws, regulations or professional rules apply to the production of written and/or oral witness testimony? For example, must witnesses be sworn in before the tribunal and is cross-examination allowed?

The Arbitration Law provides, under Article 49 paragraph (1) of the Arbitration Law, that fact witnesses and expert witnesses may be summoned by the tribunal or the parties. Before giving testimonies, under Article 49 paragraph (3), all witnesses must be sworn before the tribunal.

Please note that, under Article 37 paragraph (3) of the Arbitration Law, it is regulated that the general principle of examination of witnesses in arbitration is in accordance with the provisions generally applicable in HIR.

8.5 What is the scope of the privilege rules under the law of your jurisdiction? For example, do all communications with outside counsel and/or in-house counsel attract privilege? In what circumstances is privilege deemed to have been waived?

Under Article 19 paragraph (2) of the Advocates Law, advocates are entitled to the protection of privilege of all communications means between them and their client. However, the scope of the protection itself is not specified in detail.

The privilege is deemed to have been waived only if the Law provides otherwise. Article 19 (1) of the Advocates Law further provides that advocates are obliged to keep all information obtained from their client confidential, unless the Law provides otherwise.

In addition, the Indonesian Advocates Code of Ethics provides that correspondence among the counsels may not be shown to a judge if it is marked "Sans Prejudice", and discussions or correspondence in the framework of settlement negotiations between advocates that have not reached a conclusion may not be used as evidence in court.

9 Making an Award

9.1 What, if any, are the legal requirements of an arbitral award? For example, is there any requirement under the law of your jurisdiction that the award contain reasons or that the arbitrators sign every page?

Article 54 paragraph (1) of the Arbitration Law stipulates that an arbitral award must contain the following requirements:

- (i) a statement stating, “*Berdasarkan Keadilan yang Berdasarkan Ketuhanan Yang Maha Esa*” (For the Sake of Justice based on the Almighty God), written at the top of the award;
- (ii) the full names and addresses of the parties;
- (iii) a brief description of the dispute;
- (iv) the positions of the respective parties;
- (v) the full names and addresses of the arbitrators;
- (vi) considerations and conclusions of the tribunal concerning the entire dispute;
- (vii) the opinion of each of the respective arbitrators if there is a difference of opinion within the tribunal;
- (viii) the holdings of the award;
- (ix) the place and date of the award; and
- (x) the signatures of the members of the tribunal. The failure of an arbitrator to sign an award, because of illness or death, if noted in the award itself, will not affect the enforceability of the award (Article 54(2) of the Arbitration Law).

Furthermore, Article 54 paragraph (3) of the Arbitration Law provides that the award shall set forth a time period within which the award must be implemented.

9.2 What powers (if any) do arbitral tribunals have to clarify, correct or amend an arbitral award?

Under Article 58 of the Arbitration Law, arbitral tribunals’ power to correct awards is limited only to administrative mistakes and/or adding or reducing a claim in such award. Such power comes to effect only if the parties request a correction within 14 (fourteen) days after the award is received.

10 Challenge of an Award

10.1 On what bases, if any, are parties entitled to challenge an arbitral award made in your jurisdiction?

The only available actions to challenge an arbitral award based on the Arbitration Law are the request for annulment and refusal to enforce the arbitral award.

Article 70 and Article 71 of the arbitral award of the Arbitration Law provide that parties can file an application for annulment of an arbitral award to the Central Jakarta District Court in the case the decision being challenged contains the following elements:

- a) letters or documents submitted in the hearings are acknowledged to be false or forged or are declared to be forgeries after the award has been rendered;
- b) after the award has been rendered, documents are found which are decisive in nature and which were deliberately concealed by the opposing party; or
- c) the award was rendered as a result of fraud committed by one of the parties to the dispute.

The elucidation of Article 70 of the Arbitration Law further states that the above reasons must be proven by a court’s decision. However, the length of time in obtaining a final and binding decision in Indonesia itself may take approximately 5 (five) years or more.

Meanwhile, the enforcement of an arbitral award may be refused if the award violates public policy as contemplated in Article 66 (c) of the Arbitration Law. Under Article 4 (2) of the Supreme Court Regulation No. 1 of 1990, public policy is defined as the fundamental principles of the Indonesian legal system and society. This definition is indeed very general. Yet, no further elaboration is provided. In practice, the court has and will often exercise wide discretion to interpret this term on a case-by-case basis.

10.2 Can parties agree to exclude any basis of challenge against an arbitral award that would otherwise apply as a matter of law?

The basis of a challenge against an arbitral award cannot be excluded by agreement since the provisions of the challenge itself do not permit any waiver from the parties to exclude such basis of the challenge.

10.3 Can parties agree to expand the scope of appeal of an arbitral award beyond the grounds available in relevant national laws?

Based on the elucidation of Article 60 of the Arbitration Law, it is provided that an arbitral award constitutes a final decision and, therefore, it is not possible to appeal an arbitral award. As such, the agreement of the parties will not be able to expand any provisions related to the appeal of an arbitral award under Indonesian law.

10.4 What is the procedure for appealing an arbitral award in your jurisdiction?

As elaborated above, an arbitral award is not subject to appeal under the Arbitration Law. Nonetheless, the decision of the court rejecting the enforcement of an award can be appealed to the Supreme Court and must be decided by the Supreme Court within 90 (ninety) days as of the registration of the appeal. A decision approving the enforcement of the award cannot be appealed.

11 Enforcement of an Award

11.1 Has your jurisdiction signed and/or ratified the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards? Has it entered any reservations? What is the relevant national legislation?

Yes, Indonesia has ratified the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards by virtue of Presidential Decree Number 34 1981, on 5 August 1981. Indonesia agreed to ratify the New York Convention with the following reservations:

- i. international arbitral awards which may be recognised and enforced in Indonesia are only those relating to commercial disputes; and
- ii. the recognition of awards has to be on the basis of reciprocity, i.e., rendered in a country which, together with Indonesia, is a party to an international convention regarding the recognition and enforcement of foreign arbitral awards.

11.2 Has your jurisdiction signed and/or ratified any regional Conventions concerning the recognition and enforcement of arbitral awards?

No, Indonesia has not signed and/or ratified any regional Conventions concerning the recognition and enforcement of arbitral awards.

11.3 What is the approach of the national courts in your jurisdiction towards the recognition and enforcement of arbitration awards in practice? What steps are parties required to take?

Although, in general, the national courts in Indonesia honour the recognition and enforcement of arbitration awards in the same way as a court judgment, the practice of the recognition and enforcement of arbitration awards, especially for international arbitration awards, varies.

If a party intends to enforce an award, firstly it has to be identified whether the award is a domestic or international arbitration award under the Arbitration Law (see question 2.2 above on the definition of an international arbitral award). In the case of a domestic arbitral award, the procedure for enforcement is as follows:

- a. the tribunal or its authorised proxy must deliver and register the original or an authentic copy of the award to the Clerk of the District Court within 30 (thirty) days of the award's issuance (Article 59 paragraph (1) of the Arbitration Law);
- b. failure to register the arbitration award pursuant to the above requirement shall render the award unenforceable (Article 59 paragraph (4) of the Arbitration Law);
- c. in the event that the losing party fails to perform its obligations under the arbitral award, the award shall be enforced by order of the Chief Judge of the District Court at the request of the winning party (Article 61 of the Arbitration Law);
- d. the order of the Chief Judge shall be rendered within 30 (thirty) days following the filing of the request for execution with the Clerk of the District Court (Article 62 paragraph (1) of the Arbitration Law). In practice, however, the issuance of such order may take longer – it may take approximately 2 (two) months;
- e. the Chief Judge of the District Court must firstly examine the arbitral award to determine that it is based on a valid arbitration agreement and that the dispute is arbitrable as a matter of law and that the award is consistent with good morals and public policy (Article 62 paragraph (2) of the Arbitration Law);
- f. a decision of the Chief Judge of the District Court that an award is not enforceable for the above reasons may not be appealed (Article 62 paragraph (3) of the Arbitration Law);
- g. the Chief Judge of the District Court must not examine the reasoning of the arbitral award (Article 62 paragraph (4) of the Arbitration Law); and
- h. once endorsed for enforcement by the Chief Judge of the District Court, the award may be executed in the same manner as a final and binding court decision in a civil case.

Under Articles 65 and 66 of the Arbitration Law, the enforcement of an international arbitral award must be applied to the District Court of Central Jakarta. The award concerned must fulfil the following requirements:

- a. the award is issued by an arbitrator or arbitral tribunal in a country with which Indonesia has a treaty, whether bilateral or multilateral, regarding the recognition and enforcement of an international arbitral award;
- b. the award is in the domain of commercial law according to Indonesian law; and

- c. the award does not violate Indonesian rules of public policy.

The award can be enforced by an *exequatur* (a writ of execution) from the Chairman of the District Court of Central Jakarta. The Arbitration Law requires, as a prerequisite to the issuance of an *exequatur*, the registration of the award directly by the arbitrator(s) or by the disputing parties who have been given the authority to represent the arbitrator(s) by power of attorney. In practice, the latter is commonly chosen as it is more practicable. The power of attorney must be notarised and further legalised by the Indonesian Consulate/Embassy having jurisdiction over the arbitrator or arbitration institution (in case of institutional arbitration). The following documents must be submitted when registering the award:

- a. an original or authentic copy of the international arbitral award and a sworn translation in the Indonesian language;
- b. an original or authentic copy of the arbitration agreement and a sworn translation in the Indonesian language;
- c. an official statement from the diplomatic representative of the Republic of Indonesia in the country where the international arbitral award was issued, certifying that the country where the arbitral award was issued is a party to bilateral and multilateral agreements on the recognition and execution of international arbitration decisions (the New York Convention) with Indonesia;
- d. a notarised and legalised Power of Attorney (PoA) from the arbitrator(s) to the disputing parties to register and enforce the award at the District Court of Central Jakarta; and
- e. a notarised and legalised Substitution Power of Attorney from the party who wishes to enforce the award to its legal representative (in the case where the party is represented by lawyers) to register and enforce the award at the District Court of Central Jakarta.

11.4 What is the effect of an arbitration award in terms of *res judicata* in your jurisdiction? Does the fact that certain issues have been finally determined by an arbitral tribunal preclude those issues from being re-heard in a national court and, if so, in what circumstances?

The Arbitration Law is clear that arbitral awards are final and binding. They may not be appealed, although they may be annulled, and the Chief Judge of the relevant District Court may refuse to order the enforcement of a domestic arbitral award, or the Chief Judge of the District Court of Central Jakarta may refuse to order the recognition and enforcement of an international arbitral award. To this extent, they are *res judicata* (or *ne bis in idem*, to follow the terminology preferred in Indonesia).

That said, in practice, it is not uncommon for parties facing an unfavourable arbitral award or the likelihood of an unfavourable arbitral award to attempt to commence court proceedings grounded on theories of an unlawful act (similar to common law theories of tort). Since an unlawful act gives rise to remedies as a matter of law, rather than contract, some courts will hold that the tort claims falls outside of the scope of the contract to which an arbitration clause pertains. In more sophisticated forms, the claim may be that the contract itself is the result of fraud or another unlawful act. In these circumstances, some Indonesian courts will accept jurisdiction and try the matter without regard to the arbitral award or ongoing arbitral proceedings.

11.5 What is the standard for refusing enforcement of an arbitral award on the grounds of public policy?

The Arbitration Law does not provide further elaboration of the

definition of public policy or public order. Article 66 section c of the Arbitration Law only provides that the international arbitral award can only be enforced in Indonesia to the extent that the award is not contradictory to public policy. However, Article 4 (2) of the Supreme Court Regulation No. 1 of 1990 defines public policy as the fundamental principles of the Indonesian legal system and society. This definition is indeed very general.

There is no guideline in the interpretation of the public policy itself since court judgments refusing enforcement of international arbitral awards based on public policy grounds vary depending on the nature of the case. Thus, it is not possible to infer a definite interpretation of what public policy is for refusing the enforcement of an arbitral award.

12 Confidentiality

12.1 Are arbitral proceedings sited in your jurisdiction confidential? In what circumstances, if any, are proceedings not protected by confidentiality? What, if any, law governs confidentiality?

The confidentiality clause governed in the Arbitration Law is stipulated in Article 27 of the Arbitration Law. It states that hearings of arbitration disputes shall be closed to the public. In its elucidation, the purpose of this Article is to protect the confidentiality of the arbitration proceeding itself.

There is no stipulation with regards to the exclusion of the confidentiality of an arbitration proceeding. There is no specific law that governs the confidentiality issue except for the Arbitration Law mentioned above.

12.2 Can information disclosed in arbitral proceedings be referred to and/or relied on in subsequent proceedings?

The Arbitration Law does not provide further elaboration as to whether disclosed information in arbitral proceedings can be referred to and/or relied on in subsequent proceedings.

13 Remedies / Interests / Costs

13.1 Are there limits on the types of remedies (including damages) that are available in arbitration (e.g., punitive damages)?

The Arbitration Law does not specify the types of remedies (including damages) that are available in arbitration. In general, the types of damages awarded in arbitration are the same in the Indonesian Civil Court. Furthermore, the concept of punitive damages is not available under Indonesian law.

13.2 What, if any, interest is available, and how is the rate of interest determined?

The Arbitration Law does not specifically regulate the application of interest to a monetary award. However, as a matter of legal practice, court-imposed interest is 6% *per annum*; this is based on Staatsblad No. 22 1848. A different rate of interest may be imposed if provided in the contract on which the claim is based.

13.3 Are parties entitled to recover fees and/or costs and, if so, on what basis? What is the general practice with regard to shifting fees and costs between the parties?

Article 77, paragraphs (1) and (2), of the Arbitration Law regulates the arbitration fee to be charged to the losing party. However, in the event that the claim is only partially granted, the arbitration expenses shall be charged to the parties in equal proportions. Costs and expenses do not include legal counsels' fees and expenses. Legal counsel expenses are not permitted to be charged to the losing party under Article 379 of HIR.

13.4 Is an award subject to tax? If so, in what circumstances and on what basis?

An arbitration award is not subject to tax law.

13.5 Are there any restrictions on third parties, including lawyers, funding claims under the law of your jurisdiction? Are contingency fees legal under the law of your jurisdiction? Are there any "professional" funders active in the market, either for litigation or arbitration?

There is no regulation on restrictions on third parties, including lawyers, funding claims. There is also no prohibition on contingency fees; however, such is an uncommon practice in Indonesia. To our knowledge, "professional" funders for litigation or arbitration are uncommon in Indonesia.

14 Investor State Arbitrations

14.1 Has your jurisdiction signed and ratified the Washington Convention on the Settlement of Investment Disputes Between States and Nationals of Other States (1965) (otherwise known as "ICSID")?

Yes, Indonesia has ratified the Washington Convention on the Settlement of Investment Disputes Between States and Nationals of Other States (1965), or the ICSID Convention, by virtue of Law No. 5 of 1968 on Investment Dispute Settlement between State and Foreign Nationals.

14.2 How many Bilateral Investment Treaties (BITs) or other multi-party investment treaties (such as the Energy Charter Treaty) is your jurisdiction party to?

Pursuant to UNCTAD's IIA Navigator and Sixteenth Report on G20 Investment Measures on 10 November 2016, Indonesia is currently party to 43 Bilateral Investment Treaties with other states. <http://investmentpolicyhub.unctad.org/IIA/CountryBits/97#iialInnerMenu>.

14.3 Does your jurisdiction have any noteworthy language that it uses in its investment treaties (for example in relation to "most favoured nation" or exhaustion of local remedies provisions)? If so, what is the intended significance of that language?

No; there is no standard terminology or model language that has been adopted in Indonesian investment treaties. Nevertheless, all

investment treaties to which Indonesia is a party choose arbitration as their dispute settlement resolution. Most BITs stipulate ICSID Arbitration, but some refer to *ad hoc* arbitration under UNCITRAL Arbitration Rules.

14.4 What is the approach of the national courts in your jurisdiction towards the defence of state immunity regarding jurisdiction and execution?

Theoretically, state immunity will be waived in the event that Indonesia has positioned itself as a party with regards to jurisdiction and execution. However, there have not been any examples of a case where the issue of state immunity has been raised in the national courts of Indonesia.

15 General

15.1 Are there noteworthy trends or current issues affecting the use of arbitration in your jurisdiction (such as pending or proposed legislation)? Are there any trends regarding the type of disputes commonly being referred to arbitration?

The Indonesian government is currently drafting a new government regulation on a dispute settlement mechanism for investment disputes between the Indonesian government and investors. The

regulation aims to provide a more precise procedure, timeframe and alternative when an investor intends to seek remedy to protect its investment. However, this government regulation draft is not yet finalised and there is a possibility that the provisions in the draft might be altered.

15.2 What, if any, recent steps have institutions in your jurisdiction taken to address current issues in arbitration (such as time and costs)?

To the best of our knowledge, the arbitration institutions in Indonesia have not adopted any significant changes to their rules or arbitration procedures that might be relevant in dealing with the current arbitration issues.

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