RECONSIDERING THE MANDATORY USE OF INDONESIAN LANGUAGE IN PRIVATE COMMERCIAL CONTRACT

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Abstract

A decade after the enactment of Law Number 24 Year 2009 on the Flag, Language and Coat of Arms and Anthem which introduces mandatory use of Indonesian language in memorandums of understanding or agreements involving state institutions, government agencies, Indonesian private institutions or Indonesian citizens, there are still many questions arisen about the extent of which these norms should apply in the private commercial sphere. Various litigations filed before the court to declare the agreement null and void for failure to meet the language provisions. While some lawsuit has been successful, but more recent court decisions have been consistently rejecting petition to declare an agreement as null and void for failure to comply with article 31 Law Number 24 Year 2009.

This paper will conduct a normative study to determine the extent of which the mandatory use of the Indonesian language in the agreement has affect the private commercial sphere. In what instance violation of the provision has been fully regarded as violation of an Objective Condition for a valid agreement as regulated in Article 1320 of the Civil Code which makes the agreement null and void by law and what does not.

This paper will study the laws and regulations related to the mandatory use of the Indonesian language in private commercial contracts to find out about situation and study its implementation in selected court decisions to understand the situation and provide possible recommendation for improvements.

Keywords: Contracts, Language, Indonesia

1. INTRODUCTION

1.1. General

In principle, the Indonesian Civil Code (ICC) as the basis of the Law of Contract in Indonesia adheres to an open system, the Code provides public with the widest possible freedom to enter into agreements containing anything, as long as it does not violate the law, public order and decency and if they do not regulate a matter themselves, it means that the matter will be subject to the law.¹

Such system refers to the principle of freedom of contract, which in the ICC is regulated in Article 1338 (1) as follows:

“All valid agreements apply to individuals who have concluded them as law. Such agreements are irrevocable other than by mutual consent, or pursuant to reasons stipulated by the law. They must be executed in good faith.”

This article is ICC version of the universal science doctrine of *pacta sunt servanda*, a Latin term which means a promise must be kept.

So far, the state does not regularly intervened into the private commercial aspect, except for sectors which are strictly regulated for certain objective, such as in the sector of consumer, finance, financing, capital market, business competition and the like. Because the principle of freedom of contract is widely accepted as underlying assumption that guide activities under private commercial sector.

However, in 2009, government promulgated Law Number 24 of 2009 concerning the State Flag, Language and Emblem and National Anthem (Language Law) which introduced the obligation to use Indonesian language for Memorandums of Understanding or Agreements involving Indonesian citizens. Although it does not explain the consequences of violating the provisions on the mandatory use of the Indonesian language, the promulgation of the Language Law has caused concern among the legal profession regarding the consequences to existing agreements and agreements that will exist in the future, since English has been widely used as standard language used in private commercial contract, as logical consequences of significant dependency to foreign investment used since the New Order Government to promote growth. Therefore, the issue of the obligation to use national language in commercial contract becomes very serious issue among businesses.

On the other hands academics responded critically as well, some believes that private commercial agreement must be excluded from obligation to use Indonesian Language in contract, and government has gone too far into private sphere.

It is to be understood, why the legal communities and academics were responded negatively to the law. Legal practitioners seek clarity on the consequences of the Language Law on the business practices, generally because the Language Law had a direct impact on the general practice prevailing in the realm of private commercial agreements. Various seminars and discussions were held, but the results were only added to more confusion. The government insists that the Language Law is needed to uphold Indonesia’s image and identity, and legislators argue that agreements in Indonesian have nothing to do with economic conditions or the investment climate, because investment considers national stability and security more than language issues.

More than ten years later, the issue of mandatory use of Indonesian language is still becomes important concern for business actors and still represent very important consideration to parties prior to the establishment of any agreements and resolution of disputes. Although in 2019 the government finally completed the mandate of Language Law

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2 Indonesia have its first Foreign Investment Law in 1967 through Law Number 1 Year 1967 on Foreign Investment, which effectively promote foreign investments in Indonesia, as part of government strategy to immediately improve economic situation. Currently foreign investments are one of the key drivers of economic growth and still actively being promoted by the government.


5 As mentioned by Dendy Sugono, Head of Indonesian Language Centre, Ministry of Education and Culture, in 2009 ibid.

6 As mentioned by Chairman of Commission X Parliament, Irwan Prayitno who is responsible to deliberate the Language Law in year 2009, ibid.
to issue implementing regulation for the Language Law, by enacting Presidential Regulation Number 63 of 2019 concerning the Use of Indonesian Language (Perpres 63/2019), many questions remain valid.

1.2. Problem Statement

This study aims to determine the extent to which the provisions of mandatory use of Indonesian language provisions affect the private commercial sphere over the past decade. It is hoped that this study can show readers about the most current situation, how policy makers view the issue of the mandatory use of Indonesian language, and most importantly, how this issue is transpired in reality, through resolution of disputes concerning that matters, so that readers can obtain better understanding will be able to anticipate unnecessart situation.

1.3. Research Methods

This research will use the normative legal research method. It will examine the law from an internal perspective. The research object is legal norms, and it uses materials obtained in literature such as the opinions of legal scholars in reference books. Normative legal research shall functions to provide juridical arguments where there is a vacuum, inclarity, and conflict of norms. Therefore, the theoretical basis used here is one found at the level of normative/contemplative legal theory.

This research use the Statute Approach, which is a method generally used in normative legal research, as it analyzes the rule of law in normal and general circumstances. One such way of employing the Statute Approach in this research is by examining the consistency of the provisions of certain law vis a vis the 1945 Constitution. Further, this research will study the implementation of these provisions in reality by way of studying how court perceives the problem, through court decisions between the period after the law was enacted until the year of 2020 with the expectation to obtain better understanding on the applicability of the norm in reality.

This research makes use of secondary data obtained from library research. This study is a research using available data. The legal materials consist of primary, secondary, and tertiary legal materials. Primary legal materials are authoritative and generally include statutory regulations and official courts decisions. Secondary legal materials consist of law books or journals containing research material in the form of legal principles and doctrines of legal scholars relating to the research object. Lastly, tertiary legal materials and non-legal materials media, include legal dictionaries as well as general encyclopedias.

To support the analysis, this paper will use the theory of Ideas of Law coined by Gustav Radbruch. Radbruch writes that in law there are 3 (three) basic values, namely: 3 (1) Justice (Gerechtigkeit); (2) Utility (Zweckmassigkeit); and (3) Certainty (Rechtssicherheit). 7

Radbruch argues that the legislation ideally fulfills the aspects of certainty, justice and expediency. He further said that the ideal of law serves as a benchmark that is both regulatory and constitutive. Without ideas of law, the resulting legal product will lose its meaning. 8

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In general, the aspect of certainty refers to the law actually functioning as a rule that is obeyed. Furthermore, the aspect of justice refers to the equality of rights in law. Meanwhile, the legal expedience aspect refers to advancing goodness in human life.

Radbruch also stated that it would be very difficult to realize these three basic legal values simultaneously. If it is said that the purpose of law is to realize justice, benefit and legal certainty, is it possible to achieve this simultaneously? In reality, it often happens that the goals clash with each other. For example, a case where the judge wants his decision to be fair according to his perception, but the result is often detrimental to the benefit of the wider community, and vice versa. So Radbruch introduced the principle of priority, where the first priority always falls on justice, then benefits, and the last is legal certainty.  

2. ANALYSIS

2.1. Concerning Regulation on the Use of Indonesian Language in Agreements

2.1.1. Law Number 24 Year 2009 on Flag, Language and Coat of Arms and Anthem

In 7 July 2009 government of Indonesia promulgated the Law Number 24 Year 2009 on Flag, Language and Coat of Arms and Anthem (Law Number 24 Year 2009). The consideration Law Number 24/2009 says among other things, that language together with the flag, coat of arms, and national anthem, is a means of unifying, identity, and a manifestation of the existence of the nation in which establish the symbol of sovereignty and dignity of the state. Language is also a cultural manifestation rooted in the history of the nation's struggle, unity in cultural diversity, and similarities in realizing the ideals of the nation and state.

The crucial part of this Law is that, it stipulates very important norms about the use of Indonesian language in an agreement. Article 31 introduce mandatory use of Indonesian language for establishment of Memorandum of Understanding or Agreement that involves the national institutions, government institutions of the Republic of Indonesia, Indonesian private institutions or Indonesian citizens. While for agreement that involve a citizen of foreign nationals the MoU or agreement as mentioned in paragraph (1) is also written in the foreign party’s national language and/or English.

However, in relation to the bilingual agreement made between Indonesian and citizen of foreign nationals, law is silent on which version of the agreement that will be in force and bound in the case agreement was made bilingual, as elucidation of this paragraph only says that both versions are equally authentic.

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10 Consideration of Law Number 24 Year 2009
11 Article 31 (1) Language Law
12 Elucidation Article 31 (2)
The extent of which type of agreement that must comply with the mandatory requirement of the use of Indonesian Language, the law does not explicitly say, however, elucidation of paragraph (1) refer that such agreement includes international agreement include any agreement in the field of public law regulated by international law, and established by the government and state, international organization, or other subject of international law.\textsuperscript{13}

The law further says that further provisions regarding the use of Indonesian language shall be regulated in implementing regulation that must be promulgated no later than 5 years after the promulgation of Law Number 29 Year 2009.\textsuperscript{14}

\textbf{2.1.2. Ministry of Law and Human Rights Letter Number M.HH.UM.01.01-35 Year 2009 on the Clarification Request on the Implication of Implementation of Law Number 24 Year 2009}

This letter was official government’s response to inquiries made by 11 prominent legal practitioners on 26 November 2009 to the government concerning the legal effect of the Language Law to many private commercial agreements which at that period use English extensively on their agreements.\textsuperscript{15}

The Ministry of Law and Human Rights Letter explained four issues:\textsuperscript{16}

1. signing of private commercial agreement in English language without Indonesian language translation does not violate mandatory requirement as mentioned in Language Law, therefore the agreement shall be still legally valid, and is not null and void or can be annulled;

2. implementation of mandatory Indonesian language in contract as stipulated in article 31 of the law is pending the promulgation of the Presidential Regulation;

3. The obligation shall not be applicable retroactively, therefore agreements made prior to the enactment of Presidential Regulation shall not need to be adjusted to comply with provisions stipulated in the Presidential Regulation.

4. In relation the use of language, the parties are basically free to choose which language will be used in the contract and if a Presidential Regulation later stipulates that the parties must use bilingual, then the parties will only be bound

\textit{In a bilateral agreement, the text of agreement shall be written in Indonesian Language, the language of the other country, and/or English language, and all text shall be equally authentic.}

\textsuperscript{13} Elucidation Article 32 (2)

term agreement referred in paragraph (1) Article 31 includes, international agreement, namely any agreement in the field of public law regulated by international law, and established by the government and state, international organization, or other subject of international law. International agreements shall be written in Indonesian language, languages of other countries, and/or English. In particular, the agreements with international organizations shall use the languages of international organizations.

\textsuperscript{14} Article 40

Further provisions regarding the use of the Indonesian language as referred to in Article 26 to Article 39 shall be regulated in a Presidential Regulation.


by the obligation to use dual languages, but this does not prevent the parties from using the language. Choose which language to use if there are differences in interpretation of the words or sentences in the agreement.

This letter was issued to bridge the gap while pending the promulgation of implementing regulation of Language Law, it aims gave certain confidence to the businesses about the status of agreements executed before the Law was passed. However, Supreme Court in decision Number 601 K/Pdt/2015 stated that Ministry’s Letter is not a binding regulation and therefore cannot set aside obligation imposed by the law, therefore practitioners does not find this regulation sufficient enough to be used as reference, and albeit the absence of implementing regulation, businesses begin to draft contracts in bilingual manner to avoid possible situation where the agreement is declared as null and void.

2.1.3. Presidential Regulation Number 63 Year 2019 on the use of Indonesian Language

The government finally promulgate the implementing regulation to Law Number 24 Year 2009 ten years later in the Presidential Regulation Number 63 Year 2019 on the use of Indonesian Language. The provisions on mandatory use of Indonesian Language in an agreement is stipulated in article 26 Regulation 63 Year 2019. Paragraph (1) and (2) of article 26 reiterate the content of article 31 Law Number 24 Year 2009. Whereas paragraph 3 says that the national language of foreign parties and/or English shall be used as equivalent or translation of Indonesian language to compare the understanding on the memorandum of understanding or agreement with foreign parties. The final paragraph introduces new important norms that parties may agree on which language version of agreement will serve as ultimate reference in a Memorandum of Understanding or agreement, in the case of differences of understanding to the translation.

2.2. Annulment of Agreement That Violates Article 31 (1) Law Number 24 Year 2009

In principle, Law Number 24 Year 2009 does not regulate anything regarding the status of null and void of the agreement if it is not executed in Indonesian language. Article 31 only makes compulsory that all Memorandum of Understanding and Agreements that involves the national institutions, government institutions of the Republic of Indonesia, Indonesian private institutions or Indonesian citizens to be made in Indonesian language, and does not impose any sanctions to any Memorandum of Understanding or agreements that does not executed in Indonesian language.

It should also be noted that Language Law is implementing regulation of Article 36 A, B, and C of the 1945 Constitution. Article 36 (c) specifically states that further provisions regarding the Flag, Language and Coat of Arms and the National Anthem shall be regulated by law. In the classification of regulation, Language Law is actually fall under the category of regulations related to constitutional and state administrative matter rather than a regulation.
that governs private commercial relations between the parties. This explained by list of implementing regulation of Language Law which mostly regulates about protocol and administration of government.\textsuperscript{18} Furthermore, the State Gazette No. 180 of 2019 which contains Presidential Regulation 63/2019 put the regulation under the CULTURE category. The Use of Indonesian Language, as the classification of the Presidential Regulation. So it really needs a lot of studies and efforts to adjust the context before applying this norm to the private commercial sphere.

2.3. Perspective of Civil Code

When it comes to the provision concerning validity and annulment of agreement in Indonesian law, the main reference is still Book III of Indonesian Civil Code (ICC) which governs contract, ICC is a code that was codified by colonial government in the year 1847 and currently still applicable according to article II Transitional Provision of 1945 Constitution.\textsuperscript{19}

In order to be valid, article 1320 ICC says that an agreement must satisfy the following four conditions:

1. there must be consent of the individuals who are bound thereby;
2. there must be capacity to conclude an agreement;
3. there must be a specific subject;
4. there must be a permissible cause.

There is no requirement of consideration or that contracts have reciprocal benefit.\textsuperscript{20} Further, the basic concept of contract adopted in Indonesia is the doctrine of \textit{pacta sunt servanda}, that is, any agreement that is validly executed binds the parties as if it were a statute.\textsuperscript{21} Contracts must be concluded based on the free will of the parties. The \textit{first condition of an agreement} is consent. A contract is valid, if both parties give consent. However, such consent shall be voidable if the consent to agree has been concluded by \textit{mistake, duress, or deception}.\textsuperscript{22}

Case law recognize another type of act that may render an agreement void if the consent has included \textit{abuse of circumstances}.\textsuperscript{23} Abuse of circumstances occurs when a person in an agreement was influenced by something that prevents him/her from making an independent judgment from the other party, so that he/she cannot make an independent decision. This emphasis can be made because one of the parties has a special position (for example, a

\textsuperscript{18} For example, Presidential Regulation Number 16 Year 2010 on the Use of Indonesian Language in Official Speech of President and/or Vice President and Other State Officials , Ministry of Youth and Sport Regulation Number 16 Year 2017 on the Guidelines on Office Administration Text in the Ministry of Youth and Sport, Ministry of Education and Culture Regulation Number 22 Year 2018 on the Guidelines for Flag Ceremony in in School, Ministry of Law and Human Rights Regulation Number 3 Year 2018 on the Protocols Applicable in the Ministry of Law and Human Rights
\textsuperscript{19} Article II Transitional Provision of 1945 Constitution.
\textsuperscript{20} Article 1314 ICC
\textsuperscript{21} Article 1338 ICC
\textsuperscript{22} Article 1321 ICC
\textsuperscript{23} Supreme Court Decision No. 3641 K/Pdt/2001 Made Oka Masagung vs PT Bank Artha Graha, Notary Kusbiono Sarmanhadi, SH, Sugiarito Kusuma, & PT Binajaya Padukreasi, dated 11 September 2002
dominant position or has a fiduciary and confidence nature). Van Dunne stated that the abuse of this situation can occur because of economic advantages as well as psychological. 24

The second condition of an agreement is, the capacity to conclude an agreement. A contract must be conducted by a competent person, Article 1330 ICC has regarded the following individual as incompetent to conclude agreements:25

1. minors;
2. individuals under guardianship;
3. married women, in the events stipulated by law, and in general, individuals who are prohibited by law from concluding specific agreements.

The third condition for the validity of the agreement is the existence of a certain thing. Article 1333 ICC stipulates that an agreement must have the subject matter of which at least the type can be determined. An agreement must have a certain object. An agreement must be about a certain thing (certainty of terms), meaning that what was agreed upon, namely the rights and obligations of both parties. The type of goods intended in the agreement can at least be determined

The fourth condition regarding the permissible cause. The word cause was translated from the Dutch word “oorzaak” or Latin word “causa”. It does not literally refer to something that causes someone to make an agreement, but refers to the content and purpose of the agreement itself. For example, in a sale and purchase agreement, the content and purpose or cause is that one party wants ownership of an item, while the other party wants money.

The first and second conditions are known as subjective conditions, and if the subjective condition are not met, may rise the right to the disadvantaged party to ask for annulment.

The third and fourth conditions, i.e about specific subject and permissible cause, are known as objective conditions. If the objective conditions are not met, the agreement is null and void, and the agreement shall be regarded as never existed and the objective of the parties to create the agreement to create the agreement has failed. Therefore parties have no longer basis to file legal suit against each other before the court.26

Erawati and Budiono further state that, 'null and void' indicates that the annulment or invalidity of such (agreement) happens instantly, spontaneously, automatically, or by itself, as long as the conditions or conditions that make it null and void are fulfilled.27

Meanwhile, according to Kartini Muljadi and Gunawan Widjaja, on the basis of the cancellation, the situation of null and void shall be divided into relative null and void and absolute null and void situation. What is meant by absolute and relative annulment according to Prof. Dr. R. Wirjono Prodjodikuro, S.H., shall be an absolute annulment (absolute nietigheid), if an agreement must be considered void even though requested is not necessary.

25 Article 1330 ICC
27 Ibid. hal. 4.
Agreements like this are considered non-existent from the start and against anyone, while relative annulment (relative nietigheid), which only occurs if requested by certain people and only applies to certain people.28

### 2.4. Court Decisions Over Agreement That Violates Law Number 24 Year 2009

Since the beginning of its promulgation, Language Law has invited a lot of debates about scope of its application, mainly because the passages that do not specifically define the scope of application of the laws and therefore opens up very broad a room for interpretation. In one hand, it does not specifically mention how the Article 31 should be applied in the realm of commercial civil agreements which is based on the principle of freedom of contract and *pacta sunt servanda*, but on the other hand, the elucidation of Article 31 (1) Language Law only provides an example that the agreement referred to, shall include agreement in the realm of public law. So that invites questions about these limits and their suitability with the realm of private commercial law.

Claims to annul agreement on the grounds of violation of Article 31 Language Law has been regularly appeared in court for the past 10 years. While there has not been an official court’s opinion about the extent of applicability of article 31 (1) Language Law in private-commercial contract, however, there is a general trend that court would reject petitioners request to declare a contract null and void on the mere basis violation of article 31 (1) Language Law.

The following are summary of selected court’s decisions where the court decides on the case where petition to declare an agreement as null and void was requested for violation of Article 31(1) Language Law.

#### 2.4.1. Randolph Nicholas Bolton Carpenter v. Neil Allan Tate and Bati Anjani

This is one of the first dispute filed to the court on the basis of annulment of a contract on the basis of violation of article 31 Language Law. In February 2010 an agreement was made in English only between Carpenter Asia Pacific Pty Ltd (foreign legal entity) and PT Tate Development Land and Consultancy (Indonesian legal entity) on sale and purchase of a land area of 8127 m<sup>2</sup> in the village of Kuta, Pujut District, West Nusa Tenggara Province worth Rp. 8,127,000,000.

It was later discovered that Mr Neil Allan Tate as Director of PT Tate Development Land and Consultancy was not the official owner of the land, but rather owned by another individual named Bati Anjani. In response to this fact, Randolph Nicholas Bolton Carpenter as Director of Carpenter Asia Pacific Pty sued Mr Neil Allan Tate to the Praya District Court, Central Lombok on July 6, 2010. The reason was that the Land Sale and Purchase agreement was not made in English, and therefore violates Article 31(1) of Language Law.

While later decided that the sale and purchase agreement was null and void, it did so not because it adhere to the plaintiff’s decision of violation of article 31 Language Law, the court says that such request as overexaggerated request, it did so because the Defendant was proven to have illegally sold land without any authorization from the rightful owner.29

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29 District Court of Praya, decision Number 35/PDT.G/2010/PN.PRA dated 24 Januari 2011
2.4.2. Nine AM Ltd. vs PT Bangun Karya Pratama Lestari (BKPL)

The later, and most widely known court decision on violation of article 31(1) Language law has been Nine AM vs PT Bangun Karya Pratama Lestari (PT BKPL). In this decision, court ruled in favor to the argument that violation of article 31(1) Language Law shall represent violation of objective condition of agreement, and therefore makes the agreement null and void.

In April 2010, Nine AM Ltd, a United States legal entity, signed a loan agreement with PT BKPL, an Indonesian legal entity, with an agreement made only in English, without translation into Indonesian, the parties agree to use Indonesian law as applicable laws and PT BKPL choose legal domicile in the Registry of South Jakarta District Court. The Fiduciary Guarantee Deed written in Indonesian is made to secure the agreement. In December 2011, BKPL defaulted, and stopped paying its debts.

After PT BKPL’s no response to statutory demand made by Nine AM Ltd, Nine AM Ltd filed a lawsuit to the West Jakarta District Court demanding payment of the loan along with interest. BKPL responded to the lawsuit instead, by suing Nine AM Ltd with a demand to declare the Loan Agreement as null and void, on the basis of it was made in English without an equivalent or translation into Indonesian, thus violating article 31 Language Law.

The West Jakarta District Court in its decision granted BKPL’s claim and declared the Loan Agreement null and void along with the Deed of Fiduciary Guarantee Agreement as the accessoir agreement, and ordered PT BKPL to return the remaining loan money to Nine AM Ltd.\(^{30}\)

The Panel of Judges essentially argued that since Loan Agreement dated 30 July 2010 was not executed in Indonesian Language, therefore, it was in violation to the Language Law, so that the Agreement/Loan Agreement falls into the category of a prohibited agreement because it was made based on prohibited reasons (Article 1335 ICC in conjunction with Article 1337 ICC). Furthermore, with the non-fulfillment of one of the essential conditions of the validity of an agreement, as specified in the provisions of Article 1320 ICC, the Agreement/Loan Agreement dated 30 July 2010 which has been signed by the parties is null and void. Both Court of Appeal and Supreme Court confirmed this position.\(^{31}\)

It should be noted that in Supreme Court Decision Number 601 K/Pdt/2015, Justice Sudrajad Dimyati, in his dissenting opinion, disagree with the consideration that violation of article 31(1) Language Law shall automatically bring the agreement null and void. Justice Sudrajad Dimyati wrote that *judex facti*’s consideration is incorrect, because a lawful causa is an objective condition of the agreement, which in essence is the content or material of the agreement itself must not conflict with the law, decency, and public order. So the lawful ground is not about the formality or form of an agreement, but the material/content of the agreement itself.

So far, this Nine AM Ltd vs PT Bangun Karya Pratama Lestari case has been the most frequently cited precedents about application of article 31 Law Number 24 Year 2009 to

\(^{30}\) West Jakarta District Court, Decision number 451/Pdt.G/2012/PN Jkt.Bar, dated 21 June 2014

\(^{31}\) Jakarta High Court, Decision number 48/PDT/2014/PT.DKI dated 7 May 2014 and Supreme Court of Indonesia, Decision Number 601 K/Pdt/2015, dated 31 August 2015.
declare an agreement null and void. This case demonstrates very conservative court interpretation about article 31(1) Language Law, which directly apply the mandatory use of Indonesian language as strict non-permissible clause that falls under article 1137 ICC.

2.4.3. PT Kerui Indonesia (PT KI) vs Badan Arbitrase Nasional Indonesia (BANI) and PT Agung Glory Cargotama (PT AGC)

Another example of important court decision on applicability of article 31(1) Language Law has been the interpretation of PT Kerui Indonesia (PT KI) vs Badan Arbitrase Nasional Indonesia (BANI) and PT Agung Glory Cargotama (PT AGC).

In the South Jakarta District Court the decision, the court on the contrary take a different position with the Supreme Court Decision Number 601 K/Pdt/2015. In this case, the South Jakarta District Court refuse to grant the request to annul arbitration award issued by BANI over disputed agreement executed only in English, between two Indonesian legal entities.32

This case is particularly important, because one of the legal considerations made by BANI in its award stated the following "...that the use of English in the respective agreement is not against decency and does not violate public order". PT KI, as the plaintiff, argued that the BANI’s arbitral award was an error and wrongful in making legal considerations, so it was sufficient to annul the BANI arbitral award.

However, in this instance, the South Jakarta District Court is of the opinion that this reason is not a valid reason to request the annulment of the arbitral award. The annulment of the arbitration award can only be requested on the basis of limited reasons as stipulated in Article 70 of Law Number 30 of 2009 concerning Arbitration and Alternative Dispute Resolution, and therefore rejects PT KI’s application to annul the arbitral award.33

In Cassation, the Supreme Court upheld the decision of the South Jakarta District Court. The Supreme Court declared that the Cassation request was unacceptable, because Article 72 paragraph (4) of Law Number 30 of 1999 stipulates that what is meant by "appeal" is only the appeal against annulment of an Arbitral Award as referred to in Article 70 of Law Number 30 of 1999,34 as also inline with to Supreme Court’s Civil Chamber Formulation year 2016.35

Therefore, the use of English language in executing an agreement does not automatically make the agreement null and void. In this case, the court honour the original agreement executed in English and reject the request to annul arbitration award issued by BANI on that matter. It is also important to note that the Supreme Court Decision Number 8 B/Pdt.Sus-Arbt/2018 dated 25 January 2018 has been confirmed as official jurisprudence in the area of Arbitration with register number 1/Yur/Arbt/201836.

32 South Jakarta District Court the decision Number 244/Pdt.G.AR/B/2017/PN.Jkt.Sel dated 22 August 2017
33 Ibid.
34 Supreme Court of Indonesia decision Number 8 B/Pdt.Sus-Arbt/2018 dated January 25, 2018.
35 Supreme Court of Indonesia Circular Number 4 Year 2016 on the Enactment of Formulation Result of Supreme Court Chamber’s Plenary Meeting Year 2016 as Guidelines to Implement The Task of Court
36 Supreme Court Indonesia, Jurisprudence Number 1/Yur/Arbt/2018
2.4.4. Gunawan Halim vs PT. ISS Facility Services

Tangerang District Court take consistent position with the position adopted by the South Jakarta District Court Number 244/Pdt.G.ARB/2017/PN.Jkt. Sel (PT PT Kerui Indonesia (PT KI) vs the Indonesian National Arbitration Board (BANI) and PT Agung Glory Cargotama (PT AGC)). In this case the Plaintiff Mr Gunawan Halim (Mr. GH) an Indonesian citizen in year 2017 filed a lawsuit against PT ISS Facility Services (PT ISSFS) an Indonesian legal entity for unlawful acts (Perbuatan Melawan Hukum) to annul series of agreements consisting of the Agreement For The Sale and Purchase of The Business and the Completion Agreement along with its derivative agreements such as the Non-Binding Indicative Offer, Exclusivity Agreement and Confidentiality Agreement signed in year 2009 for violating Article 31 paragraph 1 of Law 24/2009, Article 1320 of the Civil Code, 1335 of the Civil Code and Article 1337 of the Civil Code).

This case is important, because this is an attempt by the parties to ask the court to declare an agreement which contains an arbitration clause as nul and void, on the basis that the agreement has violated Article 31(1) Law Number 24 of 2009. The Tangerang District Court rejected the request for annulment of the agreement on the grounds that the Tangerang District Court does not have absolute competence to examine unlawful acts lawsuit against a decision that has an arbitration clause. The Court consider that, although the Plaintiff’s claim was based on the annulment of the agreement, it turned out that the request for the annulment of the agreement was born because it was based on an unlawful act committed by one of the parties who formally objected to carrying out the agreement in accordance with the work contract that had been made, agreed upon and had also been implemented.

This decision was then confirmed by the Banten High Court through the decision Number 150/PDT/2017/PT BTN dated February 5 2018, and the Supreme Court through the decision Number 1622 K/Pdt/2019 dated July 17 2019, which essentially consistent saying that the Tangerang District Court has no competence in cases that have an arbitration clause, even though the agreement does not meet the provisions of Article 31 (1) of Law Number 24 of 2009.

2.4.5. Alexander William Ford vs Man Lee Ford Cheung

The most recent example is the Amlapura District Court Decision in the case of Alexander William Ford vs Man Lee Ford Cheung. Mr Alexander William Ford (Mr AWF) a British citizen sued his ex-wife Mrs Man Lee Ford Cheung (Mrs MLFC), a Chinese citizen to cancel the Receivable and Liability Agreement (the Agreement), which is an agreement to share joint assets including the distribution of company assets. One of the petitions filed by Mr. AWF as the plaintiff is to the Court to declare the Agreement as null and void, among others because it is violate Article 31 (1) of Law Number 29 of 2009.

Amlapura Court Decision rejected the petition. Specifically with regards to the request for declare the agreement as null and void due to violation of Law Number 24 of 2009, the

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37 Tangerang District Court Decision Number 239/Pdt.G/2017/PN Tng dated July 25, 2017
38 Ibid.
39 Amlapura District Court Decision Number 254/Pdt.G/2019/PN Amp dated April 1, 2020
Amlapura District Court is of the opinion that the violation of Article 31 (1) of Law No. 24/2009 is not a violation of the objective legal requirements of the agreement based on Article 1320 (4) ICC. As long as the motive for making the contract is not a false one, is not prohibited by legislation and/or is not based on a motive that is contrary to decency and public order, then a contract that does not meet the requirements of Article 31 of Law no. 24/2009 shall still valid (see Article 1336 ICC). In addition, Law no. 24 Year 2009 does not stipulate sanctions applicable for violation of Article 31, so the requirement to declare the contract as null and void would also require proof that the party who is obliged can or has harmed by such a contract (vide Article 1341 Paragraph (3) ICC).  

In this instance, Amlapura District Court’s position is similar with Justice Sudrajad Dimyati’s dissenting opinion in Decision 601/K/Pdt/2015.

2.5. Analysis

Requests to declare a private commercial agreement null and void are usually associated with the argument that violation of Article 31(1) of the Language Law is a form of violation of the objective requirements as regulated in Article 1320 (4) BW, which requires an agreement to be a non-prohibited cause. Discussions that refer to forbidden words are regulated in Article 1335 of the Civil Code which reads:  

An agreement that was made without a permissible cause, will render the agreement is null and void, has no legal force  

What is the referred to as agreement that was made without a permissible cause? Article 1337 of the Civil Code states as follows:  

A cause is not permissible if it is prohibited by law, or if it violates good conduct, or public order

The norms of Article 31(1) of the Language Law is indeed interesting, it does not prohibit, but require the use of Indonesian language by using word mandatory (wajib), but on the other hand, it does not explain the sanction, so it is a mandatory norms without sanctions, and therefore fall into the category lex imperfecta. It is common in Indonesian legal system to contains lex imperfecta clause, some of these examples include the obligation of a child to respect and honor his parents, or the obligation of a wife to obey her husband or to live with her husband and follow him wherever he deems fit to reside. These are norms that comes with obligation, but does not come with sanction.

This is also coupled with the fact that Article 31(1) of the Language Law failed to comprehensively regulate situation that commonly occur in private commercial situations,

40 Ibid.
41 Article 1335 ICC
42 Article 1337 ICC.
44 Article 298 ICC, Any child, regardless of his age, obliged to revere and respect his parents.
45 Article 106 ICC, A wife shall obey her husband. She is obligated to live with her husband, and shall follow him, wherever he deems fit to reside.
including agreements between people who are not able to speak Indonesian but regulate the object of the agreement in Indonesia (both Indonesian citizens and non-Indonesian citizens).

Law No. 24 Year 2009 is actually not the only norm that requires the use of Indonesian in agreements. There are several regulations that refer to the mandatory use of Indonesian Language in contract, however, these are applicable only in limited circumstances as follows:

1. Article 57 Law Number 13 Year 2003 on Manpower says that an Employee Agreement for Specific Time must be made in Indonesian language and in latin letter. Failure to do so shall render the Agreement be regarded as Employee Agreement for an Indefinite Period. Bilingual agreement is allowed, however, In the event of differences of interpretation in the two versions, the Indonesian version should prevail.46

2. The Central Bank of Indonesia Regulation (PBI) No. 11/26/PBI/2009 concerning Prudential Principles in Implementing Structured Product Activities for Commercial Banks.47 The Central Bank’s Regulation states that a derivative contract must be executed in Indonesian language. The difference with article 31(1) Law Number 24 Year 2004, is, the Central Bank’s Regulation was responded positively by market.

We can see that in the two situations above, mandatory use of Indonesian language is imposed in closed and controlled environment, where supervising authority is present and have sufficient capacity to both promote to enforce such obligation.

Now let us take a look on how other laws stipulates provisions to ensure compliance of provisions on certain matters. There are several laws that comes with clear and explicit stipulation that failure to meet the requirement shall bring the agreement as being null and void.48 These laws explicitly stipulate consequences of violating the norm.

So, it is clear that Article 31 (1) of the Language Law failed to provide clarity about the consequences that arise as a result of violating such mandatory clause.

On the other hand, court has been consistently rejected requests to declare that agreement that violates article 31(1) of the Language Law as null and void, the following conclusion that can be drawn from the decisions studied are as follows:

1. An agreement executed in English containing arbitration clause is not null and void

2. An arbitration award over agreement that was executed in English containing arbitration clause is not null and void.

46 Article 57 Law Number 13 Year 2003 on Manpower.
3. Other agreements made in foreign language between the parties who are Foreign Citizens and/or Indonesian Citizens are still respected and are not null and void.

The policy of making agreement bilingual is also not an effective solution. While it is costly, many regard that Law and language are inextricably linked to each other as language is the main medium of expression of law. Since it is bound to a specific legal system, legal language differs from ordinary language, hence legal language has its own lexicon that shows its complexity and particularity. For this reason, legal terms are greatly varied and the choice of language in cross-border legal relations is extremely problematic.49

This study is in conclusion that the principle of open agreement as regulated by the Indonesia Civil Code is still respected by the court albeit violation of the provisions of mandatory use of Indonesian language.

3. CONCLUSIONS

Until now, Article 31 of Law 24/2009 is still considered very significant in influencing the behavior of business actors in preparing private commercial agreements. The risk of facing a law suit to declare a signed agreement as null and void for failure to comply with the provisions of Article 31(1) of the Language Law is still too serious, as one of the practical reasons brought up by the parties to raise the case to avoid their obligations. So that the advice that is often given to business actors in making private commercial agreements in Indonesia in general is to execute the agreement in bilingual.

Article 26 (4) Presidential Regulation Number 63/2019 which provide freedom for the parties to determine which version of language as primary reference in the event of a difference in interpretation has in principle, reduce the obligation to use the Indonesian language in the agreement from original intent as substantial obligation as to a mere formality. Of course, this has the consequence that the additional costs needed to make a bilingual agreement has become compliance cost and for no other purpose.

From a study of decisions used as samples in this study, it is known that lawsuit to declare an agreement as null and void for violations of Article 31(1) of the Language Law are usually only carried out by one of the party when the ongoing contractual relationship face problems so that one party wants to immediately discharged of his obligations or to protect themselves from the consequences arising from the continuation of the implementation of the agreement with the minimum possible loss. So, indeed, the provisions of Article 31(1) of the Language Law in the realm of commercial private law are more widely used as the ‘insurance’ to escape rather than as means to obtain rights.

So in conclusion, there are three things that drawn from this study. First, the violation of Article 31(1) of the Language Law falls into what Kartini Mulyadi and Gunawan Widjaja called as relative null and void, annulment must be actively requested, and the agreement shall continue to prevail if there is no party file for application for annulment. Second, Article 31 (1) of the Language Law also fail to regulate the official consequences of failure to comply of the article itself. In contrast to other laws and regulations that specifically explain

the consequences in the event of a violation, this will mean that this clause cannot be enforced. Third, we can see that the court has consistently interpret that violation of Article 31 of the Language Law does not falls under what is considered by article 1320 (4) as an agreement with a prohibited cause, namely prohibited by law or if the cause is contrary to decency or public order,\(^5\) because in essence, court held the position that prohibited clauses comes from the content or substances of the agreement which violates the law, decency and public order and not from the formality or form of the agreement as required by the Language Law.

This situation tends to bring the clause on obligation to use Indonesian language in the context of private commercial agreements to be useless, because it is not effective, so that efforts to fulfill it will only incur additional costs, which could make doing business in Indonesia uncompetitive, something that needs to be avoided if Indonesia plans to improve its competitiveness. Apart from the argument of the need to promote the Indonesian language, this provision requires a high cost to implement, because the agreement can be made by anyone, through any platform, whose compliance control is very difficult. It is different if this obligation is carried out in a limited environment, for example in tightly regulated sectors such as banking, consumer protection, capital markets and the like.

From the perspective of the ideals of law, the norm within article 31 (1) of the Language Law is not only aimed at encouraging the use of Indonesian language as a means of unifying, identity, and a manifestation of the nation's existence which is a symbol of the sovereignty and honor of the state,\(^5\) but also may be argued as means to create justice between the parties, by ensuring that the agreement between the two parties should be written in a language that can be understood by most Indonesians, through the obligation to use the Indonesian language. It’s just that due to incomplete norms used in the Law, in this case containing *lex imperfecta* norms, it has on the other hands creates legal uncertainty. Even the provisions in Presidential Regulation 63 of 2019 which should provide confirmation about the use of Indonesian language, on the other hands, reduce the substantive meaning of the obligation into a mere formality.

Government should not seek to promote the use of Indonesian language by making them compulsory and ban the use of foreign language. But rather by providing sufficient incentive for businesses to use Indonesian language, a concept of which is needs to be developed in creative careful manner.

Lastly, in terms of expediency. The debate over which is more important between the politics of language and economic competitiveness is a political choice as both serve different purposes. However, the desire to be competitive in global trade seems to be difficult to achieve, if a country that is still relies a lot on foreign capital, insist the use of local languages in private commercial agreement, as it will bring only additional costs to comply. Moreover, Indonesia would also be wise to anticipate the trend of regional and global market

\(^5\) Article 1335 in conjunction with 1337 Indonesia Civil Code.

\(^5\) Consideration of law Number 24 Year 2009
integration, as part of the government's commitment in the area of international trade. This expediency argument needs to be considered carefully and wisely.

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