Reconstructing Arbitration as the Primary Mechanism for Investment Dispute Resolution in Indonesia: Balancing Legal Certainty, Investor Protection, and Judicial Supervision

[1]Imamuddin, [2]Vressilia Witama, [3]M. Rangga Syahputra Saragih, [4]Rayhan Nandini Telaumbanua
[1]Universiti Malaya, Malaysia
[2,3,4]Universitas Islam Negeri Sumatera Utara
E-mail: [1]imamuddin@um.edu.my, [2]vressilliaw@gmail.com, [3]mranggasyaputrasaragih@gmail.com, [4]rayhannandini@gmail.com

Artikel Info
Sejarah Artikel
Received : 2026-04-05
Revised: 2026-04-11
Published: 2026-05-30

Kata kunci:
Investment Dispute Resolution; Arbitration; Legal Certainty

Abstrak

Investment plays a pivotal role in promoting economic growth and attracting capital, yet it is inherently vulnerable to disputes arising from contractual disagreements, regulatory changes, and conflicting legal interests. Although arbitration has been widely recognized as an effective mechanism for resolving investment disputes, existing scholarship predominantly emphasizes its procedural advantages while paying limited attention to its broader institutional function within the investment governance system. This study aims to examine the urgency of arbitration in resolving investment disputes in Indonesia and to develop an integrated institutional framework for strengthening arbitration as a mechanism for ensuring legal certainty and investor protection. Employing normative legal research, the study adopts statutory and conceptual approaches by analyzing Law Number 30 of 1999 on Arbitration and Alternative Dispute Resolution, Law Number 25 of 2007 on Investment, the 1958 New York Convention, and relevant legal literature. The findings demonstrate that arbitration provides a legally recognized, final and binding dispute resolution mechanism that enhances procedural efficiency, neutrality, confidentiality, and legal certainty, thereby strengthening investor confidence. However, its effectiveness depends not only on legislative regulation but also on institutional coherence among arbitral tribunals, national courts, and enforcement authorities. Accordingly, this study proposes an Integrated Investment Arbitration Framework, which conceptualizes arbitration as an institutional governance model founded upon four interrelated dimensions: legal certainty, arbitral independence, proportional judicial supervision, and effective enforcement. The study concludes that strengthening these institutional dimensions is essential to maintaining investor confidence, improving Indonesia's investment climate, and aligning domestic arbitration practice with contemporary international legal standards.

I. INTRODUCTION

Investment flows, whether originating from domestic or foreign sources, play a strategic role in driving national economic growth and development. Investment not only serves as a means of job creation and expansion of productive capacity but also functions as a crucial instrument for technology transfer and the enhancement of a country's competitiveness at the global level. Nevertheless, investment activities are not immune to the potential emergence of conflicts of interest, either between investors and their business partners or between investors and the government as the regulatory authority. Investment disputes may arise from various factors, including differing interpretations of contractual provisions, breaches of contract, shifts in public policy, or ambiguities in the implementation of legal norms in practice (Kinanti et al., n.d.).

In practice, the resolution of investment disputes through conventional court litigation often encounters substantial obstacles, such as lengthy adjudication processes, high financial costs borne by the parties, and limited guarantees of confidentiality. Such conditions may generate legal uncertainty, which in turn adversely affects investor confidence in the stability and attractiveness of the national investment climate. Accordingly, alternative dispute resolution mechanisms are required to ensure legal certainty, procedural efficiency, and balanced protection of the interests of all parties involved (Rafika, 2022).

Arbitration constitutes one form of alternative dispute resolution that is widely regarded as more flexible and effective than judicial litigation.

Through arbitration proceedings, the disputing parties are granted autonomy to appoint arbitrators with specific expertise relevant to the nature of the dispute, to determine the applicable law, and to select the seat of arbitration. Moreover, arbitral awards are final and binding, thereby eliminating the possibility of prolonged legal remedies that could otherwise delay dispute resolution. In the context of investment disputes, these characteristics are particularly significant, as investors generally seek dispute resolution mechanisms that are expeditious, professionally administered, and capable of safeguarding the confidentiality of their business relationships and interests (Rohaini et al., 2024).

The regulatory framework governing arbitration in Indonesia is embodied in Law Number 30 of 1999 on Arbitration and Alternative Dispute Resolution. This statute provides a solid legal foundation for the application of arbitration in resolving various commercial disputes, including those arising from investment activities. Furthermore, Indonesia has ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, thereby strengthening the position of arbitration in the settlement of cross-border investment disputes (Riza & Abduh, 2019). Nevertheless, at the level of implementation, several significant challenges persist, particularly with regard to the enforcement and execution of arbitral awards, especially when such awards intersect with strategic state interests and judicial authority.

Despite the extensive literature emphasizing the advantages of arbitration in investment disputes, existing studies predominantly focus on procedural efficiency, enforceability of arbitral awards, or comparative institutional analysis. Relatively limited attention has been devoted to examining arbitration as an integrated legal institution that simultaneously balances legal certainty, investor protection, and judicial supervision within Indonesia's constitutional legal order.

This gap becomes increasingly significant because arbitration is frequently portrayed as operating independently from state judicial institutions. In reality, however, arbitration and the judiciary maintain an interdependent relationship, particularly in matters concerning enforcement, annulment, and public policy review. Consequently, the effectiveness of arbitration cannot be evaluated solely from the perspective of procedural efficiency but must also be assessed through its institutional interaction with national courts.

Accordingly, this study departs from previous scholarship by proposing a broader conceptual understanding of arbitration. This conceptual reconstruction is necessary because contemporary investment disputes increasingly involve overlapping dimensions of commercial expectations, public regulatory authority, constitutional principles, and transnational legal obligations. Consequently, the effectiveness of arbitration can no longer be evaluated solely by its procedural efficiency or contractual nature. Instead, arbitration should be understood as an institutional mechanism whose legitimacy depends upon its capacity to reconcile competing legal values, namely legal certainty, investor protection, state regulatory autonomy, and judicial accountability. This broader institutional perspective constitutes the principal theoretical contribution advanced in this article.

Rather than viewing arbitration merely as an alternative dispute resolution mechanism, this article conceptualizes arbitration as an institutional framework through which legal certainty, investment protection, and limited judicial supervision operate simultaneously to support sustainable investment governance.

Based on the foregoing discussion, arbitration occupies a vital and strategic position within the system of investment dispute resolution in Indonesia. Its role extends beyond serving merely as an alternative mechanism for resolving conflicts; it also functions as an instrument for fostering a conducive investment environment, ensuring legal certainty and predictability, and enhancing investor confidence. Consequently, an in-depth examination of the urgency and significance of arbitration in the resolution of investment disputes in Indonesia is both relevant and essential to be analyzed comprehensively from a legal perspective.

Unlike previous studies that primarily evaluate arbitration through doctrinal or procedural lenses, this article develops an integrated institutional perspective by arguing that the effectiveness of investment arbitration depends upon the interaction of four mutually reinforcing dimensions: coherent legal regulation, institutional independence, proportional judicial supervision, and effective enforcement. Collectively, these dimensions form the Integrated Investment Arbitration Framework proposed in this study as a normative model for strengthening Indonesia's investment dispute resolution system.

II. RESEARCH METHODS

This research adopts a normative legal research method (doctrinal research), which focuses on the analysis of positive legal norms governing the conduct of arbitration and the resolution of investment disputes in Indonesia (Sonata, 2014). The approaches employed in this study include the statutory approach and the conceptual approach. The legal materials examined consist of primary legal sources, namely Law Number 30 of 1999 on Arbitration and Alternative Dispute Resolution, the Investment Law, as well as other relevant statutory regulations. In addition, this research utilizes secondary legal materials in the form of legal textbooks, scholarly journal articles, and expert opinions related to arbitration and investment.

The research is conducted in a systematic manner, beginning with the identification and formulation of legal issues concerning the urgency of arbitration in the settlement of investment disputes. This is followed by the collection of legal materials through library research. The collected materials are then classified and qualitatively analyzed using legal interpretation methods, including grammatical and systematic interpretation, in order to obtain a comprehensive understanding. The results of the analysis are subsequently structured in a logical and argumentative manner to address the research questions and to formulate the conclusions. The analytical framework employed in this study combines normative legal reasoning with institutional analysis. Rather than limiting the examination to statutory interpretation, the study evaluates how legal norms interact with institutional practice, judicial authority, and investment governance. This approach enables the research to assess arbitration not merely as a procedural mechanism but as an institutional component of Indonesia's legal system influencing investor confidence and regulatory effectiveness.

The research process may be illustrated as follows: identification of legal issues, collection of legal materials, legal analysis and interpretation, drawing of conclusions.

This normative legal research does not apply the concepts of population and sampling commonly used in empirical studies, as its object of analysis is focused on the substance and characteristics of legal materials. Accordingly, the research is not confined to a specific geographical location but is conducted through a literature-based study drawing upon statutory regulations, relevant arbitral awards, and related legal literature. From a methodological standpoint, the research setting may be categorized as document-based research, carried out through the examination of legal materials available in libraries and national legal databases.

III. RESULTS AND DISCUSSION

A. The Position of Arbitration in Indonesia's Investment Dispute Resolution System

Arbitration occupies a crucial and strategic role within the investment dispute resolution framework in Indonesia. Its significance extends beyond being merely an alternative to court litigation; it is also recognized as a legitimate dispute resolution institution whose validity is guaranteed under national law. In the context of investment activities, arbitration plays a vital role in addressing the needs of the parties particularly investors for legal certainty, time-efficient dispute resolution, and processes that are professional, independent, and oriented toward fairness (DEWI et al., 2021).

Normatively, the existence and position of arbitration in Indonesia are underpinned by strong legal foundations, primarily through Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution. This legislation affirms that arbitration constitutes a mechanism for resolving civil disputes outside the general court system, based on a written arbitration agreement mutually agreed upon by the disputing parties (Memi, 2017). By including an arbitration clause in a contract, the parties voluntarily waive their right to access the state courts, positioning arbitration as an independent forum with an exclusive character within the legal dispute resolution system.

From a normative legal perspective, the legitimacy and position of arbitration in Indonesia are solidly established under Law Number 30 of 1999. The law confirms that arbitration serves as a civil dispute resolution mechanism outside the jurisdiction of general courts, grounded on a written arbitration agreement between the parties involved (Diansari, 2021). The inclusion of an arbitration clause reflects the parties' voluntary intent to forgo state court litigation, thereby establishing arbitration as an independent forum with exclusive authority within the legal dispute resolution architecture.

Furthermore, Law Number 25 of 2007 concerning Investment reinforces the role of arbitration as a key instrument for resolving investment-related disputes. Article 32 of this law stipulates that disputes between the government and investors may be resolved through international arbitration, provided that both parties agree. This provision demonstrates state recognition of arbitration and allows its utilization as a mechanism for resolving investment disputes, particularly in cases involving foreign investors (Sutrisno, 1994).

Within the national legal system, arbitration holds final and binding authority. Arbitration awards are generally not subject to appeal, cassation, or judicial review, except under specific circumstances explicitly outlined in the Arbitration Law (Fitryalita, 2019). This final and binding nature ensures a high degree of legal certainty for the parties, as disputes can be conclusively resolved without protracted proceedings. Such legal certainty is essential for maintaining the stability of the investment climate and enhancing investor confidence in the credibility of Indonesia's legal system.

Moreover, the position of arbitration in investment dispute resolution is closely tied to Indonesia's commitment to international legal norms. Indonesia ratified the 1958 New York Convention through Presidential Decree Number 34 of 1981, which obliges member states to recognize and enforce foreign arbitration awards. This ratification reinforces the role of international arbitration as an integral component of Indonesia's investment dispute resolution system, particularly within the context of cross-border economic relations and cooperation.

Nevertheless, arbitration does not operate entirely independently of the courts. State courts retain certain limited powers, such as in the registration of arbitration agreements, the enforcement of arbitration awards, and the annulment of awards under specific conditions as stipulated by law. This relationship indicates that arbitration and the general courts are not mutually exclusive institutions, but rather complementary within an integrated dispute resolution framework (Astiti & Tarantang, 2018). However, the exercise of judicial authority must be constrained so as not to undermine the autonomy of arbitration or disregard the parties' agreed-upon arbitration terms.

This institutional relationship illustrates that arbitration should not be conceptualized as existing outside the judicial system but rather as operating within a complementary governance structure characterized by differentiated institutional authority. Arbitral tribunals exercise primary adjudicative jurisdiction over the merits of investment disputes, whereas national courts perform residual supervisory functions limited to procedural legitimacy and enforcement. Such institutional differentiation is fundamental for preserving arbitral autonomy while ensuring compliance with constitutional principles of justice and due process.

From an institutional perspective, arbitration should not merely be regarded as an alternative dispute resolution mechanism but as an integral component of investment governance. Its institutional legitimacy derives not only from contractual autonomy but also from its ability to create predictable legal environments that facilitate long-term investment planning. Consequently, arbitration contributes beyond dispute settlement by functioning as a regulatory institution that strengthens the rule of law within the investment ecosystem.

This institutional understanding aligns with contemporary governance theory, which views dispute resolution mechanisms as components of a broader legal infrastructure supporting economic development. Consequently, arbitration should not merely be evaluated according to its success in resolving individual disputes but also according to its contribution to regulatory predictability, investment stability, and public confidence in legal institutions.

In conclusion, arbitration's position within Indonesia's investment dispute resolution system can be understood as a mechanism with strong legal legitimacy, independent authority, and recognition under both national and international law. Arbitration serves as the primary means for resolving investment disputes efficiently and fairly, while also providing legal certainty and promoting a conducive investment climate. Therefore, strengthening the role of arbitration is an essential component of legal reform efforts and strategies to enhance Indonesia's competitiveness in attracting global investment.

B. The Urgency of Arbitration in Investment Dispute Resolution in Indonesia

Arbitration has increasingly assumed a significant role in the resolution of investment disputes in Indonesia, particularly as the legal relationships underlying investment activities have grown more complex. Investments, especially those involving substantial economic value and long-term commitments, are highly susceptible to disputes arising from divergent interpretations of contractual provisions, breaches of agreement, or shifts in government policies. Under such circumstances, investors require a dispute resolution mechanism that provides rapid and effective legal certainty something that is often difficult to achieve optimally through conventional court litigation (Fitryalita, 2019).

A primary factor contributing to the high significance of arbitration lies in its relatively swift and efficient process. Unlike formal court procedures, arbitration is not constrained by rigid procedural rules, allowing disputes to be resolved within a shorter timeframe. Moreover, arbitration awards are final and binding, thereby precluding the possibility of protracted multi-level appeals such as appellate or cassation proceedings, which often generate legal uncertainty. For investors, certainty in dispute resolution is a fundamental element in maintaining business stability and sustaining investment activities (Hamka, 2014).

Nevertheless, the urgency of arbitration should not be assessed exclusively in terms of procedural efficiency. Modern investment law increasingly recognizes that arbitration derives its legitimacy from its capacity to balance three interrelated objectives: ensuring legal certainty for investors, preserving state regulatory autonomy, and maintaining fairness in dispute resolution. The interaction among these objectives determines whether arbitration genuinely contributes to sustainable investment governance rather than merely expediting dispute settlement.

These competing objectives inevitably generate institutional tensions. Excessive emphasis on investor protection may restrict the government's legitimate regulatory authority, whereas excessive judicial intervention may weaken the autonomy and efficiency that distinguish arbitration from ordinary litigation. Accordingly, the legitimacy of investment arbitration depends not upon maximizing a single legal value but upon maintaining proportional equilibrium among legal certainty, procedural fairness, regulatory sovereignty, and commercial efficiency.

The importance of arbitration is also closely linked to the need for a neutral and professionally managed dispute resolution forum. In investment disputes, particularly those involving foreign investors and the host state, concerns often arise regarding the independence and impartiality of national courts. Arbitration provides the parties with the flexibility to appoint arbitrators with specific expertise in investment and international trade, ensuring that the resulting decisions are more impartial and possess high legal quality (Handoko et al., 2023). This characteristic makes arbitration a forum that is generally more acceptable to all parties involved in investment-related disputes.

Nevertheless, neutrality should not be interpreted as institutional immunity from public accountability. Modern arbitration increasingly recognizes that procedural legitimacy requires transparency in arbitrator appointment, avoidance of conflicts of interest, and adherence to internationally accepted standards of due process. Consequently, the credibility of arbitration depends not only upon party autonomy but equally upon institutional integrity.

Additionally, confidentiality is a critical aspect that underscores the relevance of arbitration. Investment disputes often involve strategic information, trade secrets, and corporate reputations. Open court litigation carries the risk of adverse exposure for the parties, particularly investors. In contrast, arbitration allows disputes to be resolved privately, thereby protecting commercial interests and preserving harmonious relationships between the parties. This advantage further solidifies arbitration's position as an essential mechanism for resolving investment disputes (Isnaini, 2020).

From a national legal perspective, the relevance of arbitration is reinforced by Indonesia's legal policies, which actively recognize and encourage its use in investment dispute resolution. Law Number 30 of 1999 provides a clear legal foundation for conducting arbitration, while Law Number 25 of 2007 on Investment allows for the utilization of arbitration, including international arbitration, to resolve disputes between the government and investors (Sumaya, 2013). These legal provisions reflect the state's commitment to fostering a conducive and attractive investment climate.

Therefore, the urgency of arbitration should be understood not as an isolated procedural necessity but as a structural requirement for maintaining investor confidence. Predictable dispute resolution mechanisms reduce transaction costs, minimize regulatory uncertainty, and improve perceptions of institutional reliability. Consequently, arbitration functions as part of the broader legal infrastructure supporting national economic development.

Moreover, the relevance of arbitration is closely associated with economic globalization and Indonesia's adherence to international legal norms. Through the ratification of the 1958 New York Convention, Indonesia is obliged to recognize and enforce foreign arbitration awards. This ratification provides international investors with assurance that arbitration awards can be effectively executed in Indonesia, thereby strengthening their confidence in the national legal system (Harahap, 2016). Within the context of global competition to attract investment, the availability of an efficient arbitration mechanism serves as a key indicator of legal certainty in a given country.

C. Legal Regulation of Arbitration in Investment Dispute Resolution in Indonesia

Arbitration in Indonesia is explicitly governed by Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution. This legislation provides a legal foundation for parties to resolve disputes independently through arbitration, whether in the commercial or investment sectors. Article 1(1) of the Arbitration Law defines arbitration as a dispute resolution mechanism outside the court system, based on a written arbitration agreement. This provision underscores that arbitration can only be conducted with the consent of the parties, thus establishing a legitimate legal basis for resolving investment disputes (Indonesia, Law Number 30 of 1999 on Arbitration and Alternative Dispute Resolution, Article 1(1), 1999).

In addition to the Arbitration Law, Law Number 25 of 2007 on Investment also regulates procedures for resolving disputes between investors and the government. Article 32 of this law provides that disputes may be settled through international arbitration, provided that there is an agreement between the parties. This regulation offers legal certainty for foreign investors who may have concerns regarding potential partiality in national court proceedings, while affirming the legitimacy and recognition of arbitration as a valid mechanism in the context of cross-border investment.

In practice, the regulation of arbitration in Indonesia encompasses not only substantive aspects but also procedural dimensions and the enforcement of arbitration awards. The Arbitration Law grants specific roles to the courts, including registering arbitration agreements, appointing arbitrators when parties fail to reach an agreement, and enforcing arbitration awards if the losing party does not voluntarily comply. Furthermore, Indonesia has ratified the 1958 New York Convention, which governs the recognition and enforcement of foreign arbitration awards. This ratification allows for the execution of arbitration awards, including international awards, within Indonesian territory, thereby reinforcing arbitration as an effective dispute resolution mechanism recognized under both national and international legal frameworks (Ngantung, 2017).

Comparative legal developments further demonstrate that the effectiveness of arbitration legislation depends less upon the comprehensiveness of statutory provisions than upon the consistency of judicial interpretation and institutional implementation. Jurisdictions recognized as leading arbitration hubs, such as Singapore and Hong Kong, derive their credibility primarily from coherent judicial practice that consistently respects arbitral autonomy while preserving limited procedural supervision. Indonesia therefore faces an institutional challenge extending beyond legislative reform toward the development of predictable judicial doctrine.

Although Indonesia possesses a relatively comprehensive regulatory framework governing arbitration, the effectiveness of these legal norms ultimately depends upon institutional coherence among arbitral institutions, national courts, and executive authorities responsible for award enforcement. Consequently, legal certainty cannot be achieved solely through legislative completeness but requires consistent implementation and judicial restraint in exercising supervisory jurisdiction.

Thus, the legal framework for arbitration in investment dispute resolution in Indonesia emphasizes the principles of party autonomy, the independence of the arbitration process, and its connection with the courts for supervision and enforcement purposes. This framework ensures legal certainty, safeguards the independence of the arbitration forum, and strengthens investor confidence in the available dispute resolution mechanisms in Indonesia.

D. Obstacles and Effectiveness of Arbitration Award Enforcement in Investment Disputes in Indonesia

The enforcement of arbitration awards in the context of investment disputes in Indonesia demonstrates a high level of effectiveness, although it still faces certain legal and practical challenges. In terms of effectiveness, arbitration awards are final and binding, providing legal certainty to the parties while minimizing the likelihood of subsequent disputes in court (Usman, 2012). Moreover, with Indonesia's ratification of the 1958 New York Convention, foreign arbitration awards can be recognized and enforced domestically, further strengthening the role of arbitration as a dispute resolution mechanism, particularly in the international context.

Nevertheless, the practical implementation of arbitration awards encounters several obstacles. Legal obstacles arise when the losing party attempts to annul the arbitration award in court on procedural grounds, such as allegations of misconduct in the appointment of arbitrators or when the award is deemed contrary to public policy. Practical challenges include limitations in competent human resources at the enforcement institutions or delays in administrative processes at district courts handling arbitration award execution (Masse & Rusli, 2017).

These obstacles reveal that the effectiveness of arbitration cannot be evaluated solely by reference to statutory provisions. Rather, effectiveness should be assessed through the interaction between legal norms, institutional capacity, judicial practice, and voluntary compliance by disputing parties. Weakness in any of these components reduces the overall credibility of arbitration regardless of the quality of legislative regulation.

From an institutional perspective, arbitration effectiveness should therefore be understood as a systemic rather than merely procedural concept. Effective arbitration requires simultaneous interaction among coherent legislation, competent arbitral institutions, supportive judicial practice, efficient enforcement mechanisms, and voluntary compliance by disputing parties. Failure within any individual component inevitably diminishes the credibility of the arbitration system as a whole regardless of the formal quality of the governing legislation.

Besides these obstacles, the effectiveness of arbitration award enforcement also depends on the level of compliance by the parties. In practice, many parties voluntarily comply with arbitration awards due to their binding nature and mutual benefits, especially in investment disputes involving long-term relationships. The synergy between arbitration and the courts, where courts serve as supportive institutions for registration and enforcement, ensures that arbitration remains effective as a mechanism for resolving investment disputes. Consequently, despite legal and practical challenges, arbitration continues to serve as a reliable mechanism for ensuring legal certainty and protecting investors' rights in Indonesia (Sutrisno, 1994).

Building upon the foregoing analysis, this study proposes the Integrated Investment Arbitration Framework as a conceptual model for strengthening arbitration in Indonesia. The framework consists of four interdependent dimensions: first, comprehensive legal certainty through coherent statutory regulation; second, institutional independence of arbitral tribunals; third, proportional judicial supervision limited to procedural safeguards; and fourth, effective enforcement supported by domestic and international legal instruments. The interaction among these four dimensions determines the capacity of arbitration to function as a credible and sustainable mechanism for resolving investment disputes while simultaneously enhancing investor confidence and protecting legitimate state interests.

The Integrated Investment Arbitration Framework proposed in this study differs from conventional approaches that emphasize arbitration primarily as an efficient dispute resolution mechanism. Instead, the framework reconceptualizes arbitration as an institutional governance model in which legal certainty, institutional independence, judicial restraint, and enforcement effectiveness continuously interact to generate investor confidence. The principal contribution of this framework lies in shifting analytical attention from arbitration procedures toward the institutional conditions necessary for sustaining long-term investment governance. Accordingly, arbitration should be understood not merely as a legal process but as an institutional asset supporting economic development and the rule of law.

The theoretical contribution of this study lies in reconstructing the conventional understanding of arbitration from a procedural dispute resolution mechanism into an institutional governance framework. Existing scholarship generally explains arbitration in terms of efficiency, confidentiality, and party autonomy. This study extends that understanding by proposing that the effectiveness of investment arbitration depends upon the interaction of four institutional dimensions: legal certainty, arbitral independence, proportional judicial supervision, and effective enforcement. This reconstruction contributes to contemporary arbitration scholarship by providing an analytical model capable of explaining arbitration's broader role in strengthening investment governance within developing legal systems.

IV. CONCLUSION AND SUGGESTIONS

A. Conclusion

This study demonstrates that the urgency of arbitration in Indonesia should not be understood solely from its procedural advantages over litigation but from its institutional capacity to sustain legal certainty, investor confidence, and regulatory stability within the national investment regime. Arbitration constitutes an institutional pillar of investment governance whose effectiveness depends upon the dynamic interaction of legal certainty, institutional independence, proportional judicial supervision, and effective enforcement. Accordingly, this study proposes the Integrated Investment Arbitration Framework as a normative model for strengthening Indonesia's investment dispute resolution system while simultaneously balancing investor protection with the legitimate regulatory authority of the state.

Despite facing certain legal and practical challenges, such as procedural annulment attempts or administrative delays, the enforcement of arbitration awards in Indonesia remains highly effective. The final and binding nature of arbitration awards, combined with voluntary compliance and the supportive role of courts, ensures that disputes are resolved conclusively and efficiently. Overall, arbitration serves as an essential mechanism for safeguarding investor rights, maintaining legal certainty, and promoting a conducive investment climate, highlighting its critical importance in both domestic and cross-border investment activities.

B. Suggestions

Future research should expand the proposed Integrated Investment Arbitration Framework through comparative empirical analysis involving jurisdictions with mature arbitration systems, such as Singapore, Hong Kong, and the United Kingdom. Such comparative inquiry would provide a stronger basis for evaluating institutional effectiveness and developing evidence-based reforms to Indonesia's investment arbitration regime.

REFERENCE

Astiti, N. N. A., & Tarantang, J. (2018). Penyelesaian sengketa bisnis melalui lembaga arbitrase. *Jurnal Al-Qardh*, *3*(2), 110–122.

DEWI, N. I. W. L., WIBAWA, I. G. K. A., & ANTARA, I. W. (2021). Pengaturan Pengakuan dan Pelaksanaan Putusan Arbitrase Internasional Berdasarkan Konvensi New York 1958 di Indonesia. *Majalah Ilmiah Universitas Tabanan*, *18*(1), 121–127.

Diansari, T. (2021). Permasalahan Pelaksanaan Klausula Arbitrase Dalam Upaya Menyelesaikan Sengketa Perjanjian Pilihan Forum. *" Dharmasisya" Jurnal Program Magister Hukum FHUI*, *1*(3), 30.

Fitryalita, D. (2019). *Kekuatan eksekutorial dalam pelaksanaan eksekusi putusan Badan Arbitrase Nasional Indonesia dan hambatan-hambatannya (studi kasus putusan Badan Arbitrase Nasional Indonesia Jakarta No. 801/II/ARB-BANI/2016)*. Fakultas Syariah dan Hukum UIN Syarif Hidayatullah Jakarta.

Hamka, Z. (2014). Mediasi-Arbitrase dan Arbitrasi-Mediasi Sebagai Alternatif Penyelesaian Sengketa Dagang Internasional. *Makassar: Skripsi, Fakultas Hukum Universitas Hasanudin*.

Handoko, B., Prihadiati, R. R. L. A., & Mulyana, M. (2023). Kepastian Hukum Badan Arbitrase dan Alternatif Penyelesaian Sengketa Konstruksi Indonesia dalam Perjanjian Penanaman Modal Asing di Sektor Konstruksi. *HUMANIORUM*, *1*(02), 63–72.

Isnaini, A. M. (2020). Batas Kewenangan Penyelesaian Sengketa Syariah Antara Badan Arbitrase Syariah Nasional (Basyarnas) Dengan Pengadilan Agama. *Unizar Law Review (ULR)*, *3*(2), 237–249.

Kinanti, F. M., Wiko, G., & Sari, D. P. (n.d.). ARBITRASE SEBAGAI ALTERNATIF PENYELESAIAN SENGKETA BISNIS DALAM KONTEKS EKONOMI DIGITAL. *Mimbar Hukum*, *35*.

Masse, R. A., & Rusli, M. (2017). *Arbitrase Syariah Formalisasi Hukum Islam dalam Ranah Penyelesaian Sengketa Ekonomi Syariah Secara Non Litigasi*. Trust Media Publishing.

Memi, C. (2017). Penyelesaian Sengketa Kompetensi Absolut Antara Arbitrase Dan Pengadilan. *Jurnal Yudisial*, *10*(2), 119.

Ngantung, R. A. (2017). Eksekusi Putusan Arbitrase Nasional Menurut Undang-Undang Nomor 30 Tahun 1999. *LEX ET SOCIETATIS*, *5*(1).

Rafika, R. (2022). Penyelesaian Sengketa Asuransi Melalui Lembaga Alternatif Penyelesaian Sengketa Sektor Jasa Keuangan. *SALAM: Jurnal Sosial Dan Budaya Syar-I*, *Vol.9*(No.4), hlm.1209-1222. https://doi.org/10.15408/sjsbs.v9i4.26601

Riza, F., & Abduh, R. (2019). Alternatif Penyelesaian Sengketa Secara Arbitrase Melalui Pemanfaatan Teknologi Informasi. *De Lega Lata: Jurnal Ilmu Hukum*, *4*(1), 77–86.

Rohaini, S. H., MH, P. D., SH, M. H., & Sepriyadi Adhnan, S. H. (2024). *Masa Depan Arbitrase Indonesia: Efektivitas dan Kepastian Hukum*. Uwais Inspirasi Indonesia.

Sonata, D. L. (2014). *Metode Penelitian Hukum Normatif Dan Empiris: Karakteristik Khas Dari Metode Meneliti Hukum. FIAT JUSTISIA, 8 (1), 15–35*. https://doi.org/https://jurnal.fh.unila.ac.id/index.php/fiat/article/view/283

Sumaya, I. (2013). Analisis Kekuatan Mengikat Klausula Arbitrase Dalam Perjanjian Menurut Undang-Undang Nomor 30 Tahun 1999 Tentang Arbitrase. *Jurnal Ilmiah Advokasi*, *1*(2), 13–28.

Sutrisno, N. (1994). Pengakuan dan Pelaksanaan Putusan Arbitrase Asing di Indonesia: Analis Permasalahan. *Jurnal Hukum IUS QUIA IUSTUM*, *1*(1), 42–52.