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The Effectiveness of Arbitration as an Alternative to Business Dispute Resolution: Between Procedural Efficiency and Certainty of Adjudication

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Abstract

The development of increasingly complex business activities demands a dispute resolution mechanism that is not only able to provide legal certainty, but also ensure the efficiency of the case settlement process. Arbitration is present as an alternative dispute resolution that offers procedural flexibility, confidentiality, and faster resolution than litigation. However, the effectiveness of arbitration is not only determined by procedural efficiency, but also by the certainty of the implementation of the award. This study aims to analyze the effectiveness of arbitration as an alternative to business dispute resolution by focusing on the relationship between procedural efficiency and the certainty of award implementation in the Indonesian legal system. The research uses a normative juridical method with a legislative approach and a conceptual approach. The legal materials used include primary, secondary, and tertiary legal materials that are analyzed qualitatively through prescriptive analysis methods. The results of the study show that arbitration has advantages in the form of more flexible procedures, relatively fast dispute resolution, process secrecy, and freedom of the parties to choose arbitrators who have competence according to the character of business disputes. Nonetheless, the effectiveness of arbitration has not been fully determined by procedural efficiency as the implementation of awards still depends on the support of judicial institutions, particularly in the process of execution and annulment of arbitral awards. Therefore, the effectiveness of arbitration can only be realized if procedural efficiency goes hand in hand with the certainty of the implementation of the award through the consistent application *of the principle of final and binding* and the limitation of court intervention in accordance with the provisions of laws and regulations.

I. INTRODUCTION

The development of trade, investment, and business relations activities in the era of globalization has brought consequences to the increasing complexity of commercial disputes involving the interests of business actors, both in the national and international scopes. Modern business relationships no longer depend only on simple transactions between two parties, but have developed into legal relationships involving contracts of high economic value, cross-border transactions, the use of digital technology, and investment cooperation that contain increasingly complex legal risks. In such conditions, dispute resolution is not only required to be able to provide legal certainty, but also must be able to maintain the sustainability of business activities through a fast, efficient mechanism, and be able to minimize economic losses due to prolonged disputes. Therefore, the effectiveness of dispute resolution mechanisms is one of the important factors that determine the success of the legal system in supporting the investment climate and business certainty (Mantili, 2021).

In the Indonesian legal system, business dispute resolution can basically be pursued through two main mechanisms, namely litigation through judicial institutions and out-of-court dispute resolution through arbitration. Litigation is a dispute resolution mechanism based on civil procedure law with formal, open characteristics, and produces decisions that have executory power through state judicial institutions. Instead, arbitration comes as a form of *Alternative Dispute Resolution* (ADR) which is built on the principle of freedom of contract (*Party Autonomy*), giving the parties the flexibility to determine a dispute resolution forum, selecting arbitrators with special competence, and developing examination procedures according to their needs. The recognition of arbitration as a dispute resolution mechanism has been normatively affirmed through Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution which provides legitimacy for dispute resolution based on the agreement of the parties (Rafika, 2022).

The presence of arbitration is essentially a response to the various limitations of litigation mechanisms. The long judicial process, the high cost of the case, the many stages of legal remedies, and the nature of open trials are often seen as incompatible with the character of the business world that requires quick dispute resolution and maintaining the confidentiality of business information. On this basis, arbitration is then positioned as a mechanism that offers procedural efficiency through simpler, flexible, confidential examinations, and results in a final and binding award (*Final and binding*). Even in international business transactions, arbitration has gained an increasingly strategic position because its awards can be recognized and enforced in various countries through the mechanisms regulated in the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, thus providing relatively higher legal certainty than national court judgments which often face obstacles in the process of cross-jurisdictional recognition (Pulungan & Nuroni, 2023).

However, these various normative advantages do not necessarily make arbitration a dispute resolution mechanism that is always more effective than litigation. In practice, not a few arbitration awards actually face problems at the implementation stage. Applications for annulment of arbitral awards, rejections of the implementation of awards, debates about absolute competence between courts and arbitration, and the need to obtain an execution determination through the courts show that dispute resolution through arbitration still has a certain dependence on the country's judicial system. This condition creates a paradox. On the one hand, arbitration is built on procedural efficiency and speedy dispute resolution, but on the other hand, the effectiveness of its resolution can be reduced when the implementation of the award still requires additional judicial processes that often consume the time, cost, and energy of the parties.

This paradox suggests that the effectiveness of arbitration cannot be measured solely on the basis of the length of the dispute review process. The true measure of effectiveness must be seen more comprehensively by considering the ability of the mechanism to produce a dispute resolution that truly provides legal certainty for the parties. A decision that can be obtained in a short time does not necessarily reflect its effectiveness if its implementation faces various legal obstacles. On the other hand, a dispute resolution mechanism can be said to be effective if it is able to produce a decision that is not only fast, but also has certainty of implementation, provides legal protection, and is able to end disputes completely without causing further legal proceedings. Thus, the effectiveness of arbitration must be understood as a balance between procedural efficiency and certainty of the implementation of the award, not just as a matter of speed of settlement (Riza & Abduh, 2019).

On the other hand, the development of the Indonesian justice system in recent years has also shown a significant transformation through the digitization of case administration, the implementation of the electronic justice system (*e-Court* and *e-Litigation*), as well as various policies aimed at accelerating the settlement of cases. The reforms have gradually reduced the various litigation weaknesses that have been the main reason for the selection of arbitration. Therefore, the classic assumption that arbitration is always faster, cheaper, and more effective than litigation needs to be objectively reviewed in light of current developments in legal practice. This analysis is important so that the selection of dispute resolution mechanisms is not only based on normative assumptions, but also considers the effectiveness of its implementation in the Indonesian legal system (Retnaningsih et al., 2020).

Research on arbitration in general is still dominated by discussions of the advantages of arbitration over litigation from the perspective of confidentiality, procedural flexibility, and principles *Final and binding*. Meanwhile, studies that directly link the procedural efficiency of arbitration with the certainty of the implementation of the award as the two main indicators of the effectiveness of dispute resolution are still relatively limited. In fact, these two aspects have an inseparable relationship in determining the success of a business dispute resolution mechanism. Procedural efficiency will only have practical value if it is followed by the certainty of the implementation of the award, while the certainty of the implementation of the award will lose its meaning if it must be obtained through a process that actually eliminates the efficiency that is the main character of arbitration (Harahap, 2018).

Based on this description, this study aims to analyze the effectiveness of arbitration as an alternative to business dispute resolution by placing procedural efficiency and certainty of the implementation of the award as the main parameters of the analysis. This study not only compares arbitration with litigation from a conceptual aspect, but also examines the extent to which the procedural advantages of arbitration are really able to be realized in the practice of business dispute resolution in Indonesia. Thus, this research is expected to contribute to the development of business law studies, especially in building a more comprehensive understanding of the position of arbitration as a dispute resolution mechanism that is not only procedurally fast, but also effective in ensuring the certainty of the implementation of awards.

II. RESEARCH METHODS

This study uses a normative juridical research method with a legislative approach (*Statute approach*) and conceptual approaches (*conceptual approach*) (Rizkia & Fardiansyah, 2023). The approach to laws and regulations is carried out through a review of various legal provisions that regulate arbitration as an alternative to business dispute resolution, especially Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution and other laws and regulations related to the implementation of arbitration awards. Meanwhile, a conceptual approach is used to examine the doctrines, theories, and views of experts regarding legal effectiveness, procedural efficiency, legal certainty, and the implementation of arbitration awards in the business dispute resolution system. The legal materials used consist of primary legal materials in the form of relevant laws and regulations and court decisions, secondary legal materials in the form of books, scientific journals, and previous research results, and tertiary legal materials that support the interpretation of primary and secondary legal materials. All legal materials are analyzed qualitatively using prescriptive legal analysis methods through systematic and argumentative interpretation to assess the extent to which arbitration is able to realize effectiveness as an alternative to business dispute resolution, especially from the aspect of procedural efficiency and certainty of the implementation of the award.

III. RESULTS AND DISCUSSION

A. The Concept of Arbitration Effectiveness as an Alternative to Business Dispute Resolution

Arbitration has evolved from simply an alternative dispute resolution mechanism (*Alternative Dispute Resolution*) is one of the legal instruments that has a strategic position in supporting business certainty, stability of commercial relations, and investment climate. These developments are influenced by the increasing complexity of business transactions which are no longer limited to simple contractual relationships, but have involved various technical, financial, and cross-jurisdictional aspects that demand dispute resolution mechanisms that are able to accommodate the interests of business actors in a more adaptive manner. In that context, arbitration is not only understood as an out-of-court option, but rather as part of a legal policy that provides space for the parties to resolve disputes based on the principle of freedom of contract (*Party Autonomy*) while still obtaining adequate legal protection. Therefore, the effectiveness of arbitration cannot be assessed solely from its existence as a dispute resolution institution, but must be analyzed based on its ability to realize legal objectives in the form of certainty, usefulness, and justice in a balanced manner (Asis, 2024).

In the Indonesian legal system, the legitimacy of arbitration is affirmed through Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution which provides recognition of the authority of the parties to submit the settlement of civil disputes in the field of trade to arbitrators based on an arbitration agreement. The arrangement reflects a paradigm shift in dispute resolution from an approach that is entirely dependent on state authority to an approach that respects the autonomy of the parties in determining the dispute resolution mechanism that best suits the character of the legal relationship they establish. Thus, arbitration is an embodiment of the principle of freedom of contract that allows the parties to organize their own dispute resolution forums, select arbitrators based on certain competencies, determine applicable law, and agree on the arbitration procedures that are considered most effective for their business interests (Mahendar & Budhayati, 2019).

The position of arbitration as a dispute resolution mechanism based on the agreement of the parties gives birth to fundamentally different characteristics compared to litigation. Litigation is conducted through state authority with procedures that have been rigidly defined by procedural law, while arbitration provides greater flexibility to regulate dispute resolution procedures. This flexibility allows the examination process to be adjusted to the nature of the dispute faced so that it is not trapped in procedural formalities that often prolong the settlement of the case. In business disputes involving technical aspects, such as construction, investment, energy, international trade, and information technology, the flexibility to choose arbitrators who have special expertise is an added value that is difficult to obtain through litigation mechanisms. The resulting decision is not only based on legal interpretation alone, but also considers the technical complexity that is the substance of the dispute so as to be able to provide a more proportionate settlement to the interests of the parties (DEWI et al., 2021).

Nevertheless, the superiority of arbitration should not be understood only as a matter of procedural flexibility. The effectiveness of arbitration is actually a multidimensional concept that must be analyzed through various interrelated indicators. From the perspective of legal effectiveness theory, a legal mechanism is said to be effective if the norms formed are able to achieve the goals desired by the lawmakers and can be implemented in real life in people's lives. Soerjono Soekanto explained that the effectiveness of the law is influenced by the substance of the law, law enforcement officials, facilities and infrastructure, society, and legal culture. If the theory is applied in the context of arbitration, then the success of arbitration is not only determined by the existence of Law Number 30 of 1999, but also by the quality of the arbitrator, the support of the arbitration institution, the compliance of the parties to the award, and the consistency of the judicial institution in providing recognition and implementation of the arbitral award in accordance with the applicable legal provisions (Primayanti & Bruaharja, 2023).

From a business law perspective, the effectiveness of arbitration has a broader dimension than the effectiveness of law in general. The business world basically does not make victory in disputes the main goal, but prioritizes certainty for the continuity of economic activities carried out. Protracted disputes will increase *transaction costs*, hinder investment flows, reduce the trust of business partners, and create uncertainty in the implementation of contracts. Therefore, a dispute resolution mechanism can only be said to be effective if it is able to end the conflict quickly without sacrificing legal certainty and the quality of the decision. In this context, arbitration acquires its relevance because it offers a balance between the efficiency of dispute resolution and the protection of the business interests of the parties.

The effectiveness of arbitration in this study is understood through two main indicators, namely procedural efficiency and certainty of the implementation of the award. Procedural efficiency is related to the ability of arbitration to conduct a simple, flexible, fast, and proportionate dispute resolution process in terms of cost compared to litigation mechanisms. This character was born from the flexibility of the parties in determining the procedure for examination without having to follow all the formalities of the civil procedure law as applicable in court. On the other hand, the certainty of the implementation of the award is related to the ability of the arbitral award to truly provide a final settlement to the dispute through a final and binding award that can be implemented effectively. The two indicators do not stand alone, but complement each other in determining the level of effectiveness of arbitration as a dispute resolution system. A fast process will lose its meaning if the judgment is difficult to implement, while an effectively executed judgment also loses practical value if it is obtained through inefficient procedures (Sari, 2019).

The character of an arbitral award *Final and binding* is one of the aspects that fundamentally distinguishes it from court decisions. The absence of an appeal, cassation, or review mechanism is in principle intended to provide faster legal certainty to the parties. The philosophy departs from the understanding that the parties have voluntarily submitted the settlement of their disputes to the arbitrator from the beginning, so that the logical consequence is to accept the result of the decision as the final settlement. From the point of view of legal economics (*Law and economics*), the final character also aims to reduce litigation costs arising from multiple layers of legal remedies, so that disputes do not develop into a prolonged economic burden. However, the effectiveness of the final character still depends on the parties' compliance with the arbitral award and the support of the legal system in ensuring its implementation (Situmorang, 2020).

It is at this point that the effectiveness of arbitration faces challenges that are not simple. Although the law places an arbitral award as a final and binding award, its implementation in practice still requires the involvement of the judiciary, especially when the losing party does not voluntarily enforce the award. Applications for execution through the courts, applications for annulment of arbitral awards based on certain reasons as stipulated in Law Number 30 of 1999, as well as disputes regarding the absolute authority between arbitration and the court show that the effectiveness of arbitration is not fully determined by the normative design built into the law. Thus, the effectiveness of arbitration must be understood as the result of the interaction between legal norms, the behavior of the parties, the professionalism of the arbitrator, and the consistency of the judicial institution in respecting the principle of arbitration autonomy.

In the context of international business disputes, the dimension of the effectiveness of arbitration has gained significance through the existence of the 1958 New York Convention concerning the Recognition and Enforcement of Foreign Arbitral Awards. Indonesia's participation in the convention expands the applicability of arbitral awards beyond the limits of national jurisdiction, making arbitration a more promising mechanism than litigation in cross-border transactions. However, international recognition still requires alignment between national legal norms and the practice of implementing judgments at the domestic level. If the process of recognition and implementation of judgments still faces administrative and judicial obstacles, then the advantages of arbitration as a mechanism for resolving international disputes will be reduced (Ariprabowo & Nazriyah, 2017).

Based on this description, it can be understood that the effectiveness of arbitration cannot be identified only by the success of resolving disputes outside the court or by the procedural speed it has. The effectiveness of arbitration is a more comprehensive concept because it includes the ability of the mechanism to produce efficient dispute resolution, provide legal certainty, maintain the continuity of business relationships, and ensure the implementation of real judgments. Therefore, the assessment of the effectiveness of arbitration must be carried out holistically, taking into account the relationship between procedural efficiency and the certainty of the implementation of the award as the two main parameters that determine the success of arbitration in realizing the purpose of resolving business disputes. Through this perspective, arbitration is no longer seen solely as an alternative to litigation, but as a legal instrument that must be able to provide added value in the form of certainty, efficiency, and sustainability of legal relationships in modern business activities.

B. Procedural Efficiency of Arbitration Versus Litigation in Business Dispute Resolution

Procedural efficiency is one of the main reasons behind the development of arbitration as an alternative to business dispute resolution. In the business world, dispute resolution is not only seen as a process of enforcing rights, but also as part of business risk management that must be able to minimize disruption to the economic activities of the parties. The longer a dispute lasts, the greater the economic costs that must be incurred, both in the form of direct costs (*direct costs*) such as attorney's fees, administrative fees, and case examination fees, as well as indirect costs (*indirect costs*) in the form of loss of business opportunities, disruption of commercial relationships, decreased investor confidence, and increased uncertainty about contract execution. Therefore, procedural efficiency is one of the main indicators in assessing the quality of a dispute resolution mechanism (Mantili, 2021)a.

Arbitration offers a dispute resolution model built on the principle of procedural flexibility. Unlike litigation which must strictly follow the provisions of civil procedure law, arbitration gives the parties the flexibility to determine their own examination procedures, trial schedule, evidentiary mechanism, and the selection of arbitrators based on mutual agreement. This freedom is the implementation of the principle of *Party Autonomy* which is the fundamental character of arbitration. With this flexibility, the examination process can be adjusted to the complexity of the dispute without having to go through procedural formalities that are not always relevant to business needs. As a result, dispute resolution through arbitration tends to take place faster because it is not burdened by rigid procedural stages as applicable in the judicial system (Latief et al., 2023).

From the perspective of dispute resolution time, arbitration is essentially designed to avoid a protracted process. Law Number 30 of 1999 even provides a limit on the period of settlement of arbitration cases as a form of protection for the interests of the parties so that disputes do not develop into obstacles to business activities. Unlike litigation that still leaves room for legal remedies in the form of appeals, cassation, and review, arbitration awards are in principle *final and binding*, so that the dispute ends from the moment the decision is handed down without a re-examination process of the subject matter. This character is theoretically able to shorten the dispute resolution cycle while reducing legal uncertainty that often arises due to the long chain of legal remedies in the litigation system.

The efficiency of arbitration is also reflected in the management of dispute resolution costs. Although in cases of high economic value, the administrative costs of arbitration and arbitrator fees can be greater than the costs of litigation in court, these costs are essentially more measurable and predictable from the beginning of the dispute resolution process. On the other hand, in litigation, dispute resolution costs do not only come from the cost of the case, but also the accumulation of costs arising from the length of the trial process, the use of various legal remedies, and uncertainty regarding the length of the case settlement. Therefore, the assessment of cost efficiency cannot be done by comparing the amount of administrative costs alone, but must consider the whole *cost of dispute resolution* borne by the parties during the dispute (Scott, 2015).

In addition to the time and cost aspects, the efficiency of arbitration is also supported by the freedom to choose arbitrators who have competence in accordance with the character of the dispute. Modern business disputes often involve technical issues that require a special understanding, such as construction, energy, capital markets, intellectual property, information technology, and international trade transactions. In such conditions, the ability of arbitrators who have substantive expertise allows the evidentiary process to take place more effectively because there is no need for repeated technical explanations as often happens in court trials. This efficiency not only speeds up the examination process, but also improves the quality of analysis of the substance of the dispute so that the resulting verdict is more responsive to the needs of the business world (Hombokau, 2024).

The confidentiality inherent in arbitration also has its own efficiency value. In business practice, a widely publicized dispute can have greater economic consequences than the substance of the dispute itself. A decline in the company's value, loss of investor confidence, disruption of relationships with business partners, and a decline in the company's competitiveness are risks that often arise due to the opening of the litigation process. Therefore, the confidentiality of arbitration is not only to provide protection for the information of the parties, but also to be an instrument to maintain the stability of business relations so that dispute resolution does not develop into broader economic losses.

However, the notion that arbitration is always more efficient than litigation is not absolutely acceptable. The procedural efficiency of arbitration is highly dependent on the good faith of the parties in carrying out the dispute resolution process. In practice, various obstacles can still occur, such as delays in the examination due to the absence of the parties, objections to the authority of the arbitrator, and disputes regarding the validity of the arbitration agreement. Even after a judgment has been rendered, it is not uncommon for the losing party to apply for the annulment of the arbitration award or to pursue various legal remedies that ultimately require the involvement of the court. This condition shows that the procedural efficiency of arbitration cannot always be realized optimally if the parties do not have a commitment to respect the arbitration mechanism that they have agreed upon from the beginning.

On the other hand, the development of the Indonesian judicial system also shows a transformation that gradually reduces various weaknesses in litigation. System implementation *e-Court*, *e-Litigation*, digitization of case administration, and various policies to accelerate case settlement have increased the efficiency of the litigation process in court. The reforms show that litigation is no longer synonymous with the always slow and inefficient procedures that have developed over the years. In certain cases that require coercive state action, complex proof, or involve the public interest, litigation can be even more effective because the entire process of settlement and enforcement of judgments is in one integrated judicial system (Retnaningsih et al., 2020).

Thus, the procedural efficiency of arbitration must be understood contextually, not as an absolute advantage. Arbitration does offer relatively better speed, flexibility, confidentiality, and cost efficiency than litigation, especially in business disputes that require quick resolution and involve certain technical aspects. However, this efficiency only has practical value if it is able to produce a dispute resolution that truly ends the conflict without causing further legal proceedings. Therefore, the assessment of the effectiveness of arbitration does not stop at the aspect of procedural efficiency alone, but must be continued with the analysis of the certainty of the implementation of the award as the main indicator that determines whether the procedural excellence of arbitration can really be realized in the practice of business dispute resolution.

C. Certainty of the Implementation of Arbitration Awards as a Parameter of Effectiveness in Business Dispute Resolution

The effectiveness of a dispute resolution mechanism cannot be measured only by the ability to complete the examination process quickly and efficiently, but also by the extent to which the resulting decision is able to provide legal certainty and can be implemented in real terms by the parties. In the context of arbitration, the dimension of certainty in the implementation of the award has a very fundamental meaning because it is the end point that determines whether the goal of dispute resolution is really achieved. Procedural speed will only have value if it leads to a decision that is able to end the dispute effectively. On the other hand, if the arbitral award still faces various obstacles in its implementation, then the procedural efficiency that is the main character of arbitration will lose its practical meaning. Therefore, the certainty of the implementation of the award must be understood as the main parameter in assessing the effectiveness of arbitration as an alternative to business dispute resolution (Ariprabowo & Nazriyah, 2017).

Law No. 30 of 1999 provides a strong normative basis for the legal force of arbitral awards by affirming that arbitral awards are final and have permanent legal force and are binding on the parties (*Final and binding*). This character shows that since the decision was rendered, the dispute has in principle ended without the mechanism of appeal, cassation, or review as known in the litigation system. The arrangement is a manifestation of the principle *Party Autonomy*, because the parties have consciously agreed to arbitration as a dispute resolution forum from the beginning as well as accepting the legal consequences of the award that will be produced. Thus, the final nature of an arbitral award not only reflects legal certainty, but also represents respect for the freedom of the parties to determine their own chosen dispute resolution mechanism (Sita, 2014).

From a business law perspective, character *Final and binding* has strategic value because it provides certainty for the sustainability of legal relations and economic activities of the parties. The business world basically needs dispute resolution that is able to end uncertainty in a relatively short time so that business actors can resume their business activities without being burdened by prolonged legal processes. This certainty is very important considering that disputes that last too long will increase transaction costs (*transaction costs*), hinder the execution of contracts, reduce investor confidence, and affect the stability of commercial relations (Pulungan & Nuroni, 2023). Therefore, the final nature of the arbitration award is one of the advantages that theoretically distinguishes it from litigation that still opens up opportunities for various legal remedies so that dispute resolution can last longer.

However, the legal certainty promised by arbitration is not always identical to the certainty of the implementation of the award. In practice, the success of arbitration is determined not only by the final nature of the award, but also by the degree of compliance of the parties with the outcome of the dispute resolution. If the losing party implements the award voluntarily, then arbitration is really able to realize its main purpose as a fast, efficient, and legal dispute resolution mechanism. On the other hand, when the losing party refuses to implement the award, the arbitration enters a stage involving state authority through an execution mechanism by the court. This condition shows that the effectiveness of arbitration is ultimately still influenced by the support of the judicial system, especially in ensuring the enforcement of forced judgments if voluntary compliance is not achieved.

The involvement of the courts in the process of enforcing arbitral awards cannot be seen as a form of weakening of arbitration, but rather as a consequence of the state's monopoly in the use of instruments of legal coercion.*State Coercive Power*). Arbitration is a private mechanism built on the basis of the agreement of the parties, while the authority to carry out executory actions remains with the state through judicial institutions. Therefore, the relationship between arbitration and the courts is not really a competitive relationship, but a complementary relationship (*complementary relationship*). The court functions as a supporting institution (*supporting institution*) which ensures that the arbitral award obtains effective enforcement force without re-examining the subject matter of the dispute that has been decided by the arbitrator (Wijaya, 2021).

However, in the practice of resolving business disputes in Indonesia, the relationship does not always work ideally. Law Number 30 of 1999 does provide a very limited space to apply for the annulment of the arbitration award, namely if the documents used in the investigation are found to be fake, decisive documents are found that were previously hidden by the opposing party, or the decision is obtained through deception carried out by one of the parties. The arrangement is intended to maintain the integrity of the arbitration process without eliminating the principle of finality of the award. However, in practice, there are still often various legal remedies that in substance seek to reopen the subject matter of the dispute through arguments regarding the authority of arbitration, the validity of the arbitration agreement, and other procedural reasons. This phenomenon shows that the finality of the arbitration award still faces challenges in its implementation so that the legal certainty promised by arbitration has not been fully realized optimally.

These problems become increasingly complex in business disputes involving foreign elements. Indonesia as a participating country of the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards is in principle obliged to provide recognition and enforcement of foreign arbitral awards in accordance with the provisions of the Convention. Participation in this convention provides significant benefits to the business world because it increases certainty in the implementation of cross-border arbitral awards. Compared to national court judgments, which often require a separate recognition mechanism in other countries, arbitral awards are more easily recognized and enforced in countries participating in conventions. This condition makes arbitration a mechanism that is more adaptive to the needs of international trade transactions and global investments.

However, the existence of the 1958 New York Convention does not necessarily remove all obstacles to the implementation of foreign arbitral awards. Courts in the country where the execution is performed shall have the power to refuse recognition and enforcement of an award in certain circumstances, such as where the arbitration agreement is invalid, the parties have not been afforded a proper opportunity to defend their interests, the award exceeds the scope of the arbitration agreement, or the enforcement of the award is contrary to public order (*Public Policy*). Clauses *Public Policy* It is one of the most controversial issues because it does not have uniform boundaries in each country. As a result, the certainty of the implementation of international arbitral awards in practice remains influenced by national courts' interpretation of the concept of public order. This shows that the effectiveness of international arbitration depends not only on international legal instruments, but also on the consistency of national legal systems in applying the principles of the convention (Mustika & Ferrary, 2023).

When analyzed comprehensively, there is an inseparable relationship between procedural efficiency and the certainty of the implementation of the award as the two main dimensions of the effectiveness of arbitration. Procedural efficiency provides advantages in the form of faster, more flexible, and economical dispute resolution, while the certainty of the implementation of the decision ensures that the results of the dispute resolution really have practical value for the parties. Both aspects are interdependent. Procedural efficiency will lose its relevance if the arbitral award is difficult to implement, while the certainty of the implementation of the award will also not provide maximum benefits if it must be obtained through a long process and eliminate the efficiency that is the main character of arbitration.

Thus, the effectiveness of arbitration cannot be assessed solely on the basis of the success of conducting the dispute examination process outside the court or on the *final and binding nature* attached to the award. The effectiveness of arbitration must be understood as the ability of the arbitration system as a whole to produce a speedy resolution of disputes, provide legal certainty, ensure the implementation of the award, and be able to terminate conflicts completely without causing unnecessary further legal proceedings. In this perspective, the certainty of the implementation of the award is an indicator that determines whether the procedural excellence of arbitration can really be realized in practice. The higher the level of certainty regarding the implementation of the arbitration award, the higher the effectiveness of arbitration as an alternative to resolving business disputes. On the other hand, if the implementation of the award still faces significant obstacles, then the procedural efficiency that has been the advantage of arbitration will only become a normative advantage that has not been fully realized in law enforcement practice. Thus, the success of arbitration as a business dispute resolution mechanism is ultimately determined not only by the quality of the resolution process, but also by the ability of the legal system to ensure that every arbitration award can be implemented effectively, provide legal certainty, and create trust for business actors in carrying out their business activities.

IV. CONCLUSIONS AND SUGGESTIONS

A. Conclusion

Arbitration is an alternative to business dispute resolution that has high effectiveness because it prioritizes procedural efficiency through a flexible, fast, confidential process, and provides flexibility to the parties in determining arbitrators and dispute resolution mechanisms. Compared to litigation, arbitration is able to reduce transaction costs and minimize disruption to the continuity of business relationships. Nevertheless, the effectiveness of arbitration cannot be measured solely by the speed and efficiency of the procedure. The main parameter that determines the success of arbitration is the certainty of the implementation of the award. Although Law Number 30 of 1999 emphasizes that arbitral awards are *final and binding*, in practice its implementation still requires the support of judicial institutions, especially at the execution stage and in the settlement of applications for annulment of arbitral awards. These conditions show that the effectiveness of arbitration depends on the balance between procedural efficiency and certainty of the implementation of the award. Thus, arbitration will truly be an effective business dispute resolution mechanism if the legal system is able to ensure respect for the principle *of final and binding*, limit court intervention only to the authority determined by law, and provide certainty for the implementation of decisions quickly, consistently, and fairly.

B. Suggestions

It is necessary to strengthen the implementation of Law Number 30 of 1999 through increasing the consistency of the court in respecting the principle *of final and binding* arbitral awards and simplifying the mechanism for implementing judgments so that procedural efficiency that is the advantage of arbitration is not reduced at the execution stage. In addition, business actors need to optimize the use of arbitration clauses clearly and comprehensively in every business contract to minimize potential disputes regarding the authority and implementation of the award in the future.

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