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International Arbitration and Its Implications for National Legal Sovereignty

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Abstract

International arbitration is a dispute resolution mechanism increasingly used in cross-border legal relations, particularly in the areas of international trade and foreign investment. While international arbitration provides legal certainty and protection for investors, it also has implications for national legal sovereignty, particularly when a country must comply with arbitral awards outside the national judicial system. The interaction between international arbitration and national sovereignty reflects a broader transformation in international economic law, where states are no longer the sole actors determining legal outcomes in cross-border economic relations. Through international arbitration mechanisms, particularly Investor-State Dispute Settlement (ISDS), private investors obtain procedural rights to challenge state measures, creating a complex relationship between investment protection and the regulatory autonomy of states. This development raises fundamental questions regarding the extent to which states can maintain their sovereign authority while participating in global economic governance frameworks. This study aims to analyze the implications of international arbitration on national legal sovereignty by examining the legal framework of international arbitration and the response of the Indonesian legal system to international arbitral awards. The research method used is qualitative research with a normative juridical approach through a literature review of laws and regulations, international treaties, and related legal literature. The results indicate that international arbitration has the potential to limit state authority in establishing public policy, but still plays an important role in creating legal certainty and a conducive investment climate. This study argues that the impact of international arbitration on sovereignty should not be understood merely as a reduction of state authority, but as a transformation of sovereignty within an interconnected international legal order. Therefore, the effectiveness of national sovereignty depends on the ability of states to formulate adaptive regulations, negotiate balanced international agreements, and develop institutional capacity to participate effectively in international arbitration proceedings. Therefore, a strategy is needed to strengthen national legal sovereignty through regulatory reform, a consistent role for national courts, and increased institutional capacity so that the state can safeguard national interests without neglecting international legal commitments.

I. INTRODUCTION

International arbitration is an increasingly dominant dispute resolution mechanism in cross-border legal relations, particularly in the areas of international trade and foreign investment. This mechanism is chosen because it offers a relatively fast, flexible, confidential process, and its decisions are final and binding on the parties. The expansion of international arbitration reflects the increasing complexity of global economic relations, where commercial transactions and investment activities frequently transcend territorial boundaries. In this context, arbitration functions not only as a private dispute resolution mechanism but also as part of a broader transnational legal framework that facilitates economic cooperation between states and private actors. The growing reliance on arbitration demonstrates a shift from exclusive reliance on national courts toward hybrid governance mechanisms involving both domestic and international legal institutions (Born, 2021). In practice, countries involved in international treaties and bilateral investment treaties (BITs) often agree to international arbitration as a dispute resolution forum, requiring national laws to align with the provisions of global arbitration law (Junaidi, 2024).

This development creates a legal relationship characterized by interdependence between national legal systems and international arbitration regimes. States remain sovereign entities, but their participation in international agreements requires them to accept certain limitations, including obligations to recognize arbitration agreements and enforce arbitral awards. Consequently, sovereignty in the contemporary international legal order is increasingly understood not as absolute independence, but as the capacity of states to participate in international cooperation while preserving essential regulatory interests (Gaillard, 2021).

However, the application of international arbitration raises serious issues related to national legal sovereignty. A state's obligation to comply with foreign arbitral awards has the potential to limit its authority to regulate its own public policy, particularly when those awards relate to strategic sectors such as natural resources, the environment, and public services. In this context, international arbitration is often viewed as an instrument that favors investor interests over those of the host country, creating tension between investment protection and the principle of state sovereignty (Simangunsong, 2025).

The debate surrounding international arbitration is particularly significant within the ISDS framework, where foreign investors are granted the ability to challenge governmental measures before international tribunals. Critics argue that this mechanism may restrict democratic decision-making processes because regulatory measures adopted for public purposes, such as environmental protection, public health, or natural resource management, may become subject to international legal review. However, proponents argue that ISDS provides necessary protection against arbitrary state actions and contributes to stability in international investment relations (Tienhaara, 2021; Schill, 2021).

For developing countries like Indonesia, the dilemma between attracting foreign investment and maintaining national legal sovereignty is becoming increasingly complex. On the one hand, participation in the international arbitration regime provides legal certainty for foreign investors, but on the other hand, it can reduce the country's discretion in formulating and implementing national policies. Several studies have shown that the recognition and enforcement of international arbitration awards in Indonesia often exposes the country to the risk of violating national interests if not balanced by strengthening national regulations and legal protections (Siahaan, 2025).

Indonesia's experience demonstrates that the challenge of international arbitration is not limited to the enforcement stage but begins from the negotiation and drafting of investment agreements. Arbitration clauses contained in international investment agreements determine the extent of state exposure to potential claims. Therefore, strengthening sovereignty requires not only defensive mechanisms after disputes arise but also preventive strategies through careful treaty formulation, balanced contractual arrangements, and improved negotiation capacity of state representatives (Sauvant & Sachs, 2021).

Although numerous studies have examined international arbitration from the perspective of investor protection and dispute settlement effectiveness, fewer studies have critically analyzed how international arbitration reshapes the concept of national legal sovereignty, particularly in developing countries. The normative juridical approach is particularly appropriate for this research because the issue of international arbitration and sovereignty involves the interpretation of legal principles, treaty obligations, and the interaction between international legal norms and domestic legal authority. Through this approach, the research does not merely examine arbitration regulations as isolated legal provisions but also analyzes how those norms influence the relationship between state authority and international legal commitments. In contemporary international law, sovereignty must be examined within the framework of legal interdependence, where states voluntarily accept international obligations while maintaining their fundamental regulatory interests (Crawford, 2021).

Existing discussions often focus separately on arbitration enforcement or investment protection, while the relationship between international arbitration obligations and the preservation of national regulatory autonomy remains insufficiently explored. This research seeks to address this gap by examining international arbitration as both a legal certainty mechanism and a factor influencing state sovereignty within the global economic order.

Based on this background, this study aims to normatively examine the implications of international arbitration on national legal sovereignty, by examining the legal framework of international arbitration and the response of the national legal system in maintaining a balance between international commitments and the interests of state sovereignty.

II. RESEARCH METHODS

This study uses a qualitative approach with a normative juridical research type. This approach was chosen to analyze the concepts, principles, and legal norms related to international arbitration and their implications for national legal sovereignty. The main focus of the research is directed at the study of relevant laws and regulations, international treaties, and legal doctrines. The research data sources consist of primary legal materials and secondary legal materials. Primary legal materials include international legal instruments related to arbitration, national regulations regarding arbitration and investment, and relevant international arbitral awards. The primary legal materials include international instruments such as the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention), investment agreements containing arbitration clauses, and national arbitration legislation. These materials are analyzed to identify the extent to which international arbitration obligations influence domestic legal sovereignty. The analysis also considers judicial approaches in recognizing and enforcing arbitral awards as an indicator of the relationship between international commitments and national legal autonomy (Moses, 2022).

Meanwhile, secondary legal materials include scientific journals, legal textbooks, and academic publications discussing international arbitration and state sovereignty. The data collection technique is carried out through library research by exploring credible and up-to-date legal literature. The data obtained are then analyzed using descriptive qualitative analysis, namely by systematically describing, interpreting, and constructing legal arguments to explain the relationship between international arbitration and national legal sovereignty.

The analysis process is conducted through a conceptual examination of sovereignty, arbitration autonomy, and state regulatory power. This enables the research to develop a critical understanding of whether international arbitration should be viewed as a limitation of sovereignty or as a manifestation of sovereignty exercised through international cooperation. Such an approach is essential because modern sovereignty is no longer interpreted solely as absolute territorial authority but also as the ability of states to participate in international legal regimes while protecting essential national interests (Shaw, 2021).

III. RESULTS AND DISCUSSION

A. International Arbitration in the Global Legal System

International arbitration has evolved as a dispute resolution mechanism in line with the dynamics of globalization in international law and economics. Within the global legal system, arbitration is positioned as a neutral, independent, and efficient alternative forum compared to national courts, which are often perceived as slow and bound by formal procedures. These advantages make international arbitration a primary choice in international business contracts, particularly in the cross-border trade and investment sectors (Born, 2021). The growing acceptance of international arbitration illustrates a movement toward the creation of a transnational legal order, where dispute resolution is increasingly detached from exclusive dependence on domestic judicial institutions. This development does not eliminate the role of states but modifies the manner in which states exercise legal authority. By accepting arbitration clauses in international agreements, states voluntarily participate in a legal framework that distributes adjudicative authority between domestic institutions and international arbitral tribunals (Paulsson, 2013).

Conceptually, international arbitration is based on the principle of party autonomy, which grants parties the freedom to determine the applicable law, the venue of the arbitration, and the arbitral institution used. This principle is a key pillar of the modern arbitration system, but at the same time, it has consequences for national legal systems, as states must recognize and respect such private agreements, even if they fall outside the jurisdiction of their national courts (Gaillard, 2021).

The principle of party autonomy represents a fundamental departure from traditional concepts of judicial sovereignty because parties are permitted to determine procedural and substantive aspects of dispute resolution independently from state courts. Nevertheless, this autonomy is not unlimited. International arbitration continues to operate within a legal environment created and supported by states, particularly through national arbitration legislation, judicial assistance, and enforcement mechanisms. Therefore, international arbitration should be understood as a cooperative relationship between private autonomy and state authority rather than a complete replacement of national judicial power (Redfern & Hunter, 2022).

In international practice, the recognition and enforcement of international arbitral awards is strengthened by the 1958 New York Convention, which obliges participating states to recognize and enforce foreign arbitral awards. This Convention creates an effective transnational legal regime, but also limits the scope for states to refuse to enforce arbitral awards except for very limited reasons, such as violations of public policy (Moses, 2022).

The limitation imposed by the New York Convention demonstrates a deliberate balance between international legal certainty and national sovereignty. While states retain the ability to refuse enforcement under exceptional circumstances, such as incompatibility with public policy, excessive reliance on this exception may undermine the effectiveness of the international arbitration system. Therefore, the interpretation of public policy has become one of the most important areas where national sovereignty interacts with international arbitration obligations (van den Berg, 2019).

The development of international arbitration is also inextricably linked to the increasing number of disputes between investors and states (Investor–State Dispute Settlement/ISDS). Through this mechanism, foreign investors can sue host states in international arbitration forums for public policies deemed detrimental to their investment interests. This position positions international arbitration beyond simply a private mechanism and instead serves as a global legal instrument with direct implications for state authority in regulating domestic affairs (Schill, 2021).

Thus, international arbitration has evolved into an integral part of the global, supranational legal system. This transformation indicates that international arbitration has moved beyond its traditional function as a private dispute resolution mechanism and has become part of global economic governance. Particularly in investment disputes, arbitration tribunals frequently examine governmental measures affecting economic regulation, which demonstrates that arbitration decisions may have consequences extending beyond the immediate parties. Consequently, international arbitration has acquired a public dimension because its outcomes may influence state policy-making and regulatory choices (Schill, 2021). While providing legal certainty for international economic actors, the existence of this system also raises critical questions about the extent to which states retain full control over their national legal systems when faced with binding international legal obligations (Born, 2021).

B. Implications of International Arbitration on National Legal Sovereignty

National legal sovereignty is classically understood as the exclusive authority of a state to regulate, enforce, and interpret laws within its own jurisdiction. However, in the context of international arbitration, the concept of sovereignty undergoes a significant transformation. The transformation of sovereignty in this context reflects the evolution from a traditional absolute sovereignty model toward a cooperative sovereignty model. Under this perspective, states remain the primary subjects of international law but exercise their authority within a network of international obligations voluntarily accepted through treaties and agreements. International arbitration therefore does not necessarily eliminate sovereignty but reshapes the way sovereignty is exercised in a globalized legal environment (Klabbers, 2020). States that consent to international arbitration implicitly cede some of their judicial authority to arbitral forums outside their national judicial systems (Sauvant & Sachs, 2021).

The most obvious implication of international arbitration on national legal sovereignty is seen in the limitations of states' ability to review the substance of arbitral awards. National courts are generally authorized only to examine the formal aspects of arbitral awards, without the ability to reassess the merits of the case. This situation prevents states from fully controlling decisions that directly impact national public policy, including fiscal, environmental, and natural resource policies (Vadi, 2022).

This limitation becomes particularly significant when arbitral disputes involve regulatory measures adopted for public purposes. Governments may face claims not because they have violated private contractual obligations, but because their regulatory decisions allegedly affected foreign investment expectations. As a consequence, international arbitration creates a tension between the state's responsibility to regulate in the public interest and its obligation to provide protection to foreign investors under international investment agreements (Dolzer & Schreuer, 2022).

Furthermore, the ISDS mechanism is often criticized for its potential regulatory chill effect, where countries are reluctant to issue new regulations for fear of being sued by foreign investors through international arbitration. This phenomenon demonstrates that international arbitration impacts not only legal aspects but also political processes and public policies within a country, indirectly reducing a country's sovereignty in determining the direction of its national development (Tienhaara, 2021).

The regulatory chill phenomenon illustrates that the influence of international arbitration extends beyond formal legal decisions. The possibility of arbitration claims may affect governmental behavior before disputes even occur, particularly when states consider adopting regulations that could potentially affect foreign investors. Therefore, the impact of arbitration on sovereignty must be assessed not only through enforcement of arbitral awards but also through its indirect influence on state policy formulation (Tienhaara, 2021).

In the context of developing countries, the imbalance between states and investors further increases the risk of erosion of national legal sovereignty. Foreign investors generally have stronger financial resources and legal access, while states are often on the defensive. As a result, international arbitration tends to be perceived as a mechanism that favors the interests of global capital over the national interests of host countries (Alvarez, 2022). Nevertheless, it cannot be denied that international arbitration also provides strategic benefits to states, particularly in enhancing investor confidence and creating a stable investment climate. Therefore, the primary challenge for states is not to reject international arbitration altogether, but rather to formulate legal strategies that balance international obligations with the protection of national legal sovereignty through regulatory reform and adaptive national legal policies (Sauvant & Sachs, 2021).

A balanced approach requires states to develop what may be described as strategic sovereignty, namely the ability to participate in international legal regimes while preserving sufficient regulatory space to pursue legitimate public objectives. This requires careful treaty drafting, stronger institutional preparation, and effective representation in international arbitration proceedings. Thus, sovereignty in the era of globalization should be measured not by isolation from international mechanisms, but by the capacity to engage with those mechanisms on equal terms (Alvarez, 2022).

C. Implementation of International Arbitration Awards in the Indonesian Legal System

The enforcement of international arbitration awards in Indonesia is regulated through a mechanism for obtaining exequatur in a district court before the award can be enforced domestically. The exequatur mechanism demonstrates that international arbitration, although based on transnational legal principles, still requires the involvement of national legal institutions to achieve effective enforcement. In this regard, national courts do not function as appellate bodies reviewing the substance of arbitral awards but as institutions that ensure that enforcement complies with domestic legal requirements. This reflects the principle of limited judicial intervention, which is a fundamental characteristic of modern arbitration law (Born, 2021).

This is crucial because without recognition and enforcement of the award through national courts, foreign arbitral awards lack executory legal force in Indonesian jurisdiction. The requirement of recognition through national courts illustrates the dual character of international arbitration enforcement. On one hand, international arbitration seeks to create a uniform enforcement regime independent from domestic judicial systems. On the other hand, enforcement ultimately depends on the sovereign authority of states because only national courts possess coercive power to execute legal decisions within their territories. Therefore, international arbitration operates through a balance between international legal commitments and domestic sovereignty (Moses, 2022). However, the exequatur process often faces substantive and procedural obstacles due to the operation of strict national legal standards and differing understandings of international arbitration principles (Sari, Zulfikar, & Dorlah, 2024).

Another obstacle that has emerged is the legal uncertainty among national legal practitioners in interpreting and applying international arbitration rules, including in addressing conflicting norms between Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution and applicable international arbitration instruments. This imperfect harmonization has the potential to cause international arbitration awards to face legal challenges, such as annulment or suspension of enforcement by national courts (Winata, 2023).

The existence of regulatory inconsistencies indicates that the effectiveness of international arbitration depends not only on international conventions but also on the internal coherence of national legal systems. A state that participates in international arbitration regimes must ensure that domestic regulations, judicial interpretation, and institutional practices are aligned with international standards. Otherwise, uncertainty in enforcement may reduce confidence in the country's legal environment and negatively affect its position within the global investment system (Redfern & Hunter, 2022).

Furthermore, although Indonesia has ratified the 1958 New York Convention to recognize and enforce foreign arbitral awards, practice in national courts shows a tendency to interpret the concept of Indonesian public policy differently as a reason for refusing to enforce arbitral awards. This lack of uniformity reflects the need to strengthen national legal guidelines regarding the limits of public law that align with international standards without compromising national legal sovereignty. Thus, the enforcement of international arbitral awards in Indonesia presents an arena that demonstrates the tension between adherence to international norms and the enforcement of national legal principles. This tension reflects a broader challenge faced by many developing countries participating in international arbitration regimes. The state must avoid two opposite approaches: excessive resistance toward international arbitration, which may reduce investment attractiveness, and excessive acceptance of international obligations without sufficient safeguards, which may weaken regulatory autonomy. Therefore, Indonesia requires a balanced approach that recognizes international arbitration as part of global legal cooperation while maintaining constitutional and public interest considerations (Schill, 2021). A cautious approach and a harmonization strategy that integrates global arbitration principles with national legal values are necessary to minimize substantial conflicts that could hinder the implementation of arbitral awards in Indonesia.

D. National Legal Challenges in Addressing International Arbitration

The main challenge in implementing international arbitration in Indonesia is the imbalance between investor protection and national interests, which has the potential to create conflicts over national legal sovereignty. This imbalance primarily emerges because international investment arbitration places states and private investors within the same dispute settlement framework, despite their fundamentally different positions. Investors act based on economic interests, while states are required to consider broader public responsibilities, including social welfare, environmental protection, and economic stability. Consequently, arbitration disputes involving states frequently contain dimensions that extend beyond private contractual relations and involve questions of public governance (Dolzer & Schreuer, 2022).

While arbitration provides legal certainty for foreign investors, it also forces countries to submit to foreign arbitration forums that often decide disputes based on international standards that differ from national values or policies (Anggraeni, 2023).

The difference between international arbitration standards and domestic policy considerations creates a challenge in determining the appropriate boundary between legitimate investor protection and the state's right to regulate. International investment law increasingly recognizes that states retain regulatory authority for legitimate public purposes; however, such authority must be exercised consistently with international obligations. Therefore, the challenge is not eliminating state regulation but ensuring that regulation is predictable, transparent, and proportionate (Newcombe & Paradell, 2020).

Furthermore, structural barriers such as the lack of harmonization between national regulations and international arbitration standards create legal uncertainty for legal actors. This uncertainty is particularly evident in the context of the enforcement of arbitral awards, which often require national courts to interpret terms or norms derived from international treaties, thus weakening the effectiveness of arbitration as a cross-border dispute resolution mechanism (Winata, 2023). (IBLAM Journal)

The impact of globalization on the national arbitration legal system has also created pressure on Indonesian legal authorities to undertake more progressive regulatory reforms. The Indonesian National Arbitration Board (BANI), as a domestic arbitration institution, must adapt its institution to remain internationally competitive while upholding national legal principles and the values of Indonesian legal culture. Strengthening domestic arbitration institutions is important because national arbitration capacity determines a state's ability to participate effectively in international dispute resolution. A strong domestic arbitration framework can reduce dependence on foreign institutions, improve the quality of arbitration services, and provide a more balanced alternative for resolving commercial disputes involving domestic and international actors. Institutional development therefore becomes part of a broader strategy to maintain legal sovereignty within globalization (Born, 2021). Regulatory reform that is responsive to these international dynamics is crucial for strengthening the position of national law in the context of global arbitration without losing its national legal identity (Putra & Anggriawan, 2025).

Furthermore, another significant challenge is the lack of capacity and understanding among national legal practitioners in handling international arbitration. This includes a lack of experience in drafting international arbitration clauses in investment contracts, a lack of understanding of international arbitration procedures, and limited resources to deal with international arbitration institutions. This unpreparedness has the potential to weaken a country's position in both initial negotiations and the arbitration process itself (Sari, Zulfikar, & Dorlah, 2024).

In international arbitration, procedural capacity often determines substantive outcomes. States with limited expertise in treaty negotiation, arbitration strategy, and international legal argumentation may face disadvantages despite possessing legitimate legal grounds. Therefore, sovereignty protection requires not only legal authority but also institutional competence to effectively defend national interests within international dispute settlement mechanisms (Alvarez, 2022).

All these challenges reflect the need for countries to strengthen their legal instruments and internal mechanisms to deal with the phenomenon of international arbitration, while maintaining national legal sovereignty and protecting public interests without neglecting international legal obligations.

E. Strategy for Strengthening National Legal Sovereignty in the International Arbitration Regime

Strengthening national legal sovereignty in facing international arbitration requires a preventative and responsive legal strategy. Such a strategy requires a paradigm shift from viewing international arbitration merely as an external limitation on state authority toward understanding it as a legal environment that must be strategically managed. Sovereignty in the contemporary global order depends on the ability of states to negotiate, participate, and influence international legal processes. Therefore, strengthening sovereignty does not mean withdrawing from international arbitration mechanisms but improving national capability within those mechanisms (Klabbers, 2020).

One key strategy is strengthening the national regulatory framework, particularly through the refinement of Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution to make it more adaptive to developments in international arbitration without eliminating the principle of protecting national interests. Clear and comprehensive regulations will provide legal certainty for countries in facing arbitration claims while limiting the potential for abuse of the arbitration mechanism by foreign investors (Hidayat & Pramudya, 2022).

Regulatory reform should include clearer provisions regarding investment treaty negotiation, arbitration clauses, public policy exceptions, and the relationship between international obligations and domestic constitutional principles. A modern arbitration framework must provide certainty for investors while ensuring that states retain adequate regulatory space to pursue legitimate public objectives. This balance represents the core challenge of contemporary international investment law (Dolzer & Schreuer, 2022).

In addition to regulatory reform, the state also needs to strengthen the role of national courts in addressing international arbitration decisions, particularly in interpreting the concept of public policy proportionately. An overly broad interpretation has the potential to hamper Indonesia's credibility with investors, while an overly narrow interpretation could compromise the public interest and national legal sovereignty. Therefore, consistent judicial guidelines are needed to ensure national courts maintain a balance between international obligations and the protection of national interests (Rahman, 2023).

The role of national courts is therefore essential in maintaining equilibrium between international arbitration commitments and domestic legal principles. Courts should neither automatically reject international arbitration awards based on broad interpretations of sovereignty nor enforce them without considering fundamental legal principles. A consistent judicial approach will strengthen legal certainty and enhance Indonesia's credibility as a participant in international arbitration regimes (Moses, 2022).

The next strategy is to increase institutional capacity and human resources in the field of international arbitration. The government and relevant institutions need to equip legal officials, contract drafters, and state officials with a thorough understanding of international arbitration clauses and the legal risks that may arise. This capacity building is crucial to prevent the country from being in a weak position from the investment agreement formulation stage to the international arbitration process (Utami & Nugroho, 2024). Furthermore, strengthening national arbitration institutions, such as the Indonesian National Arbitration Board (BANI), is also part of the strategy to maintain national legal sovereignty. By enhancing the credibility and professional standards of domestic arbitration institutions, Indonesia can encourage dispute resolution through national forums that remain internationally recognized. This effort also serves as an affirmation of national legal sovereignty amid the dominance of international arbitration institutions (Setiawan, 2021).

Thus, strengthening national legal sovereignty does not have to be achieved by rejecting international arbitration, but rather through measured legal strategies, ongoing regulatory reform, and increased national capacity. Ultimately, sovereignty within the international arbitration regime should be understood as the ability of a state to preserve decision-making autonomy while fulfilling international commitments. States that possess strong legal institutions, competent representatives, and adaptive regulations are better positioned to benefit from international arbitration without sacrificing essential national interests. Therefore, international arbitration should be approached as an opportunity for legal modernization rather than merely a threat to sovereignty (Sauvant & Sachs, 2021). This approach allows states to continue participating in the global legal system without losing control over their own legal policies and public interests (Hidayat & Pramudya, 2022).

IV. CONCLUSION AND SUGGESTIONS

A. Conclusion

International arbitration has become an important mechanism in resolving cross-border disputes, particularly in international trade and investment relations. Its existence provides legal certainty and strengthens investor confidence, but it also creates challenges for national legal sovereignty because states are required to comply with international arbitral awards and limit certain aspects of their regulatory authority. In Indonesia, the implementation of international arbitration reflects the need to balance international legal commitments with the protection of national interests. Therefore, international arbitration should not be viewed solely as a limitation on sovereignty, but as part of a global legal system that requires adaptive national regulations, consistent judicial approaches, and stronger institutional capacity.

B. Suggestion

International arbitration has become an important mechanism in resolving cross-border disputes, particularly in international trade and investment relations. Its existence provides legal certainty and strengthens investor confidence, but it also creates challenges for national legal sovereignty because states are required to comply with international arbitral awards and limit certain aspects of their regulatory authority. In Indonesia, the implementation of international arbitration reflects the need to balance international legal commitments with the protection of national interests. Therefore, international arbitration should not be viewed solely as a limitation on sovereignty, but as part of a global legal system that requires adaptive national regulations, consistent judicial approaches, and stronger institutional capacity.

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