LAW TRANSFORMATION IN THE FIELD OF INTERNATIONAL TRADE CONTRACT INTO INDONESIAN POSITIVE LAW

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Abstract

International trade is very influential to economic growth which then influences national welfare and development. This is similar to the idea of a welfare state. Economic rights are also guaranteed by the Indonesian state constitution. On the other hand, international state communities have produced many international legal products that regulate international trade, for example the UNIDROIT Principles of International Commercial Contracts (UPICC), United Nations Convention on Contracts for the International Sale of Goods (CISG) and International Commercial Terms (INCOTERMS). This research was conducted to determine the process of legal transformation into Indonesian positive law. This research is a study from a legal political perspective, because it tries to transform the ius constitutendum into ius constitutum. The legal theory used is the Convergence Law Theory to explain the symptoms of legal convergence with the aim of achieving economic efficiency. This research uses juridical normative

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research. Data sources used are sourced from primary, secondary and tertiary legal data. Data finding is done using library research. Data are then analyzed qualitatively in order to classify the aspects studied. Then, conclusions related to this study were drawn and then described descriptively.

**Keywords:** Law Transformation, Contract, International Trade, Positive Law, Convergence Law Theory

**A. Background**

Today’s international trade is very common. This concept is already familiar, not to mention in Indonesia. International trade as explained by Donald M. McRae is an activity of flow of resources across border, thus it involves the exchange of goods, services, labor, or capital.\(^1\) Through international trade there can be many benefits, both direct and indirect. The direct benefit of international trade is that specialization of a country to export a certain commodity at a lower cost to compete to get as much foreign exchange\(^2\) as possible. A country will benefit through an increase in national income which will ultimately increase the rate of output and economic growth.

In state management, including Indonesia, economic growth is a top priority. A country will carry out various economic methods and strategies with the aim of increasing the country’s economic growth. One such method is to facilitate international trade activities. As international trade is very influential on the economic growth of a country. Economic growth will be a clear picture of the level of prosperity and welfare of the citizen.

The rapid rate of a country’s economic growth will have a very positive impact on the level of national development of the country. The main objective is to improve the quality of life and the welfare of its citizen. This concept has an understanding that is very much similar to an idea known as welfare state\(^3\)

Progress in the field of economic activity in Indonesia is also guaranteed by the Indonesian state constitution. This guarantee by the constitution can be seen in Article 33 paragraph (4) of the Indonesian State Constitution which reads: “Perekonomian nasional diselenggarakan berdasar atas demokrasi ekonomi dengan prinsip kebersamaan, efisiensi berkeadilan, berkelanjutan, berwawasan

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\(^2\) Foreign exchange is a means of payment abroad (everything abroad can be cashed in with foreign exchange, such as money orders, cheque and so on. Pusat Bahasa Departemen Pendidikan Nasional, *Kamus Bahasa Indonesia*, Jakarta: Pusat Bahasa Departemen Pendidikan Nasional, 2008, page 349.

\(^3\) Welfare state is a system of government where the state is responsible for the welfare of its citizens. Welfare state is characterized by the high role of the state in the development of the welfare of its citizens. According to Miftachul Huda as stated in Barner & Noble, New American Encyclopedia, welfare state is run by a democratic government that is responsible for the welfare of its people. This program aims to reduce people’s suffering such as poverty, unemployment, health problems and so forth. Therefore, a country that applies the welfare state has public policies that are services, assistance, protection or prevention on social problems. Miftachul Huda, *Pekerjaan Sosial dan Kesejahteraan Sosial, Sebuah Pengantar*, Yogyakarta: Pustaka Pelajar, 2009, page 73.
Based on Article 33 paragraph (4) of the Indonesian State Constitution, it can be seen that the national economy of the State of Indonesia must be carried out based on economic democracy by adhering to several principles. These national economic principles are intended as important signs in an effort to realize Indonesian economic democracy. This is considered important and must be carried out as well as possible to bring optimal benefits to all citizens of Indonesia. The Implementation must be carried out effectively and efficiently to support economic growth fairly and evenly. In advancing the economy, it must also pay attention to the balance between the realization of the implementation of regional autonomy and the unity of the national economy as a whole.

The phenomenon of rapid and universal international trade raises a great need for the existence/importance of a global-universal and uniform media setting that regulates the rights and obligations of traders/merchants (exporters and importers) in implementing relationship of trade transactions internationally. A national legal product such as the laws and regulations of a country that is different from one another will cause uncertainty in the law. So, recognizing the needs mentioned above, it can be felt the importance of a legal instrument that answers these problems. The legal instrument must be able to bridge the gap between different legal systems.

Therefore, based on what has been described above, the Researcher assesses that it is very important and useful to know, study and analyze deeply the implementation of the legal transformation regarding international trade contract into positive law which is currently in Indonesia, in connection with the problems arising and the provisions of existing legislation. Thus the Researcher is interested in discussing the problem above in the form of a thesis entitled “Law Transformation in the Field of International Trade Contract into Indonesian Positive Law”.

B. Research Questions

Based on what has been described in the background above, the problems can be formulated to be studied, are as follows:

1. How is the process of transforming the law on international trade contracts into Indonesian law?
2. What are the consequences of the legal transformation in the field of international trade contracts against the Indonesian Commercial Code?
3. What are the consequences of the legal transformation in the field of international trade contracts against the Indonesian Civil Code?

C. Research Methodology

To answer the problems in this study, the Researcher will conduct a study on the majority of international legal products related to international trade activities associated with their transformation process into Indonesian positive law. In this study, the researcher will use the type of legal research in
the form of normative juridical legal research. This normative juridical research is carried out by examining library material or merely secondary data. In normative juridical law research, it covers the following matters: research on legal principles, research on systematic law, research on the level of vertical and horizontal synchronization, comparison of law and legal history. This is done to understand the relationship between the legal sciences and positive law, for this reason a review of the legal elements is needed or *gegevens van het recht*. According to Ronald Dworkin, normative research is also known as doctrinal research, namely research that analyzes both law as written in book and law as it is decided by the judge through judicial process.

In this study, the data used by the researcher is secondary data obtained from library materials. In legal research, secondary data includes primary legal materials, secondary legal materials and tertiary legal materials. This normative legal research is carried out by collecting secondary data in the form of primary, secondary and tertiary legal materials. Data collection has a close relationship with the data source, because with the collection of data, the data obtained will then be analyzed according to the expected will. In this study, the researcher used a qualitative juridical analysis method because data management in normative legal research with qualitative analysis was essentially an activity to organize systematically on written legal materials. Systematic means making a classification of the written materials to facilitate analysis and construction work. Explanation of the data obtained will be analyzed based on the interpretation of the provisions of legislation in the hope that the formulation of the problems of this study can be answered.

D. Research Findings and Discussions

1. The Process of Transforming the Law on International Trade Contracts into Indonesian Law

   Indonesian law, doctrine and practice regarding the status of international agreements in the national law of the Republic of Indonesia have not yet developed and often cause practical problems at the level of implementation of international agreements within the framework of the national legal system. On a practical level, various ways of thinking develop in the government and public opinion. The Indonesian legal system unfortunately has not indicated whether it adheres to monism, dualism or a combination of both and has not developed towards clear legal politics. Utrecht expressly states that Indonesia adheres to the monism with primatism of international law which was marked in the speech of the Prime Minister of the Republic of Indonesian Confederation (*Republik Indonesia Serikat*), Muhammad Hatta on 11 August 1950, in his speech, Hatta stated: “Based on the assumptions received in relations between countries, then the treaty is higher than the constitution”. Utrecht also saw the practice of Indonesia at that time prioritizing (giving priority

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to), for example the Round Table Conference (Konferensi Meja Bundar).\textsuperscript{5} Mochtar Kusumaatmadja clearly portrays that Indonesia leads to the monism with the primacy of international law and suggests that in the future the legal political choice is taken according to this flow.\textsuperscript{6}

According to the elucidation of Article 6 of the Indonesian Act Number 24 of 2000 regarding International Agreements, signing is the final stage in bilateral negotiations to legalize an international treaty text that have been agreed by both parties. For multilateral agreements, signing an international agreement is not an act of binding as party nation. The binding to international agreements can be made through legalization (ratification, accession, acceptance and approval). On the other hand, in todays practice both in bilateral and multilateral agreements, it is possible for an agreement to take effect at the time of signing if the agreement stipulates this. Under the international treaty law, there is no obligation on the part of the state to ratify a signed agreement. From the results of research by Dr. Iur. Damos Dumoli Agusman, S.H., M.A. with respect to all laws and Presidential Regulations regarding ratification of international agreements there is consistency in applying the criteria for international agreements that need to be approved by means of law, namely only processing legalization (internal) if indeed as required by the international agreement. In this connection, so long as the agreement requires ratification (external), then Indonesia will ratify (internally) regardless of its nomenclature. On the contrary, Indonesia will not ratify (internal) if the agreement does not require ratification (external) without looking at the material of the agreement. That is why in practice Indonesia has ratified a Memorandum of Understanding\textsuperscript{7}, Exchange of Notes\textsuperscript{8} as well as Agreed Minutes\textsuperscript{9} because these documents require ratification. It can be concluded that the agreement criteria that need to be approved as stipulated in Article 10 and Article 11 Indonesian Act Number 24 of 2000 regarding International Agreements can be eliminated as long as the agreement does not require approval.

In formulating and transforming the law of international trade contracts into Indonesian law, it must first see the legal construction in Indonesia that is related to the transformation of international law into our national law. In Indonesia, all legal products must be based on Pancasila as \textit{staatsfundamentalnorm}. Pancasila is seen as a legal ideal (\textit{rechtsidee}). This position requires the establishment of a positive law (\textit{ius constitutum}) is to achieve ideas, ideals and goals from Pancasila itself. This is indeed in

\textsuperscript{7} Example is Memorandum of Understanding between the Republic of Indonesia with Malaysia regarding Cooperation in Tourism using Presidential Decree Number 7 of 1992.
\textsuperscript{8} Example is Exchange of Notes between the Republic of Indonesia with Egypt regarding Establishment of a joint Committee using Presidential Decree Number 24 of 1987.
\textsuperscript{9} Example is Agreed Minutes between the Republic of Indonesia with Pakistan using Presidential Decree Number 307 of 1965.
line with the Theory of Law Convergence by Danrivanto Budhijanto, who argues that convergence is closely related to the formation of effective products of law. The parameter of the effectiveness of a law is that the law must be a principle and principles that exist and live and apply in that society, in this case the Pancasila. Therefore, the transformation of the law into the positive law of Indonesia must provide the maximum recognition of human dignity based on the Almighty God, humanity, unity, popularism, cooperation and social justice. Determination of values in Pancasila as staatsfundamentalnorm cannot be separated from the values contained in the Pancasila itself. This is because Pancasila is an extraction of values that grow and develop in society. Pancasila is a reflection of the values of Indonesian life since the days of independence until now. These values continue to grow from time to time, reflecting the deeds and character of the Indonesian people. Pancasila is a life view and belief of the Indonesian nation that has been ingrained so that it becomes the basis of the nation and the ideology of the nation.

To realize the values that are in the Pancasila, a legal product that contains norms, principle, rules and conditions that must be obeyed and carried out by every citizen is needed. The legal product in question is the Indonesian state constitution (Undang-undang Dasar Negara Republik Indonesia Tahun 1945). The constitution is a basic law that is used as a guideline in the administration of a country. The constitution can be in the form of a written basic law commonly referred to as the constitution and can also be in an unwritten form. Not all countries have a written constitution. Therefore, the constitution in Indonesia which applies as a written constitution that contains these unwritten basic legal values and norms which live as a form of constitutional order in the practice of carrying out daily state life, is included in the definition of the constitution or basic law (droit constitutionnel) of a certain nation. In the process of drafting a written constitution, the basic values and norms that live in society and in the practice of state administration also influence the formulation of a norm into the constitution. Therefore, the geistichenhentergrund which is the philosophical, sociological, political and historical background of the juridical formulation of a constitutional provision needs to be carefully understood in the process of making the written constitution, to be able to fully understand the provisions contained in the articles contained in the constitution. The constitution cannot be understood only through the text in writing. To be able to truly understand the context, it must be understood from the philosophical, socio-historical, socio-political, socio-juris and even socio-economic contexts that influence during the formulation process. Besides that, every time period in history it also gives conditions of life which will eventually shape and influence the frame of mind (field of reference) and the field of experience
with different interests, so that the process of understanding a provision of the constitution can continue to develop in practice in the future.\(^{10}\)

Based on what is explained in the Convergence Law Theory, it is known that the law will always move towards convergence, each different legal system has a different perspective to answer various legal problems, but in principle the different legal systems still have the same functional solutions, one and the other in order to achieve economic efficiency.

In the opinion of the Researcher, the political law approach and the use of Convergence Legal Theory in analyzing the process of legal transformation in the field of international trade contracts into Indonesian positive law is appropriate. In addition to that, by using the nation's philosophical foundation, namely Pancasila as a \textit{staatfundamentalnorm} and the State Constitution of the Republic of Indonesia as a constitution and the ideals of the Indonesian people are already very well targeted.

2. The Consequences of the Legal Transformation in the Field of International Trade Contracts against the Indonesian Commercial Code

The consequences arising from the legal transformation in the field of international trade contracts into the Indonesian Commercial Code, according to the Researchers, it will broaden the scope of the Indonesian Commercial Code itself. The following will be elaborated on several provisions in United Nations Convention on Contracts for the Internasional Sales of Goods (CISG) and UNIDROIT Principles of International Commercial Contracts (UPICC) which in the opinion of the Researcher can be transformed into positive Indonesian law, especially Indonesian Commercial Code, namely as follows: 1) Regarding offer/quotation which had never been regulated before, but was commonly used in practice (from Article 17 CISG with some adjustments); 2) Regarding insurance against purchases which aims to expand the scope of arrangements of the Indonesian Commercial Code, namely Chapter IX (Article 592-685 Indonesian Commercial Code) and Chapter X (Article 686-695 of the Indonesian Commercial Code) regarding coverage (from Article 32 paragraph (3) CISG with some adjustments); 3) Regarding recognition of usage and practice in general in the world of commerce (from Article 1.9 paragraph (1) and (2) UPICC); 4) Regarding the calculation and determination of a period of time in relationship of trade that aims to expand the scope of regulation in the Indonesian Commercial Code (from Article 1.12 paragraph (1) and (2) UPICC); 5) Regarding duty of confidentiality which aims to provide protection and expand the scope of the Indonesian Commercial Code (from Article 2.1.16 UPICC); 6) Regarding payments by check (cheque) or other payment instruments that aim to expand the scope of Indonesian Commercial Code arrangements, specifically Chapter VII (Articles 178-191 of the Indonesian Commercial Code).

Code) Regarding cheque (from Article 6.1.7 paragraph (1) and (2) UPICC); and 7) Regarding the recognition and enforcement of terms specified in International Commercial Terms (INCOTERMS) to help improve the efficiency of trading activities not only internationally but also nationally.

According to the Researcher's opinion and based on the Convergence Legal Theory by Dr. Danrivanto Budhijanto, S.H., LL.M. in IT Law, FCBArb which explains that basically the legal system is formed in a different format but basically has a unified understanding and solution in answering existing problems. For this reason a different legal order will continue to converge to achieve economic efficiency. The convergence activities can be carried out in the form of the establishment of new laws and regulations that summarize all previous relevant laws or harmonize the relevant legal provisions that have been applied. Based on this reason, in the opinion of the Transformation Researcher, it is better if it is done by aligning the relevant legal provisions into the Indonesian Commercial Code. Therefore, in the opinion of the Researcher that the provisions are then transformed by adding the provisions in the Indonesian Commercial Code with the aim of completing and increasing the scope of the regulation in the Indonesian Commercial Code.

3. The Consequences of the Legal Transformation in the Field of International Trade Contracts against the Indonesian Civil Code

Inputs from UPICC and CISG that can be transformed into Indonesian civil law, especially the Indonesian Civil Code include the following: 1) Regarding standard terms that aim to expand the scope of the Indonesian Civil Code (from Article 2.1.19 and Article 2.1. 20 UPICC with some adjustments); 2) Regarding gross disparities that aim to expand the scope of the Indonesian Civil Code (from Article 3.2.7 paragraph (1) and (2) UPICC with some adjustments); 3) Regarding difficult / difficult conditions (hardship) which aim to expand the scope of the Indonesian Civil Code regulation (from Article 6.2.1 to Article 6.2.3 UPICC with some adjustments); 4) Regarding the contract for the supply of goods to be made or produced is considered a sale (from Article 3 CISG); 5) Regarding the expansion of obligations of the seller regarding the transportation of goods which aims to expand the scope of the Indonesian Civil Code (from Article 32 paragraph (2) CISG); 6) Regarding the expansion of the obligations of the seller regarding the delivery of goods and their documents which aim to expand the scope of the Indonesian Civil Code (from Article 34 CISG); 7) Regarding the principle as it is in conformity or quality of goods which aims to expand the scope of regulation of the Indonesian Civil Code (of Article 35 paragraph (3) CISG); 8) Regarding the shipment of goods before the partial shipping date and delivery of goods which aims to expand the scope of the Indonesian Civil Code (from Article 37 CISG); 9) Regarding the efforts of parties to whom the engagement is not fulfilled which aims to expand the scope of the Indonesian Civil Code (from Article 47 paragraph (1) CISG);
10) Regarding the expansion of obligations of buyers which aims to expand the scope of the Indonesian Civil Code (from Article 54 CISG); and 11) Regarding the consequences of the cancellation / cancellation of an agreement which aims to expand the scope of the Indonesian Civil Code (from Article 81 paragraph (1) CISG).

According to the Researcher's opinion and based on the Theory of Convergence Law by Dr. Danrivanto Budhijanto, S.H., LL.M. in IT Law, FCBArb which explains that basically the legal system is formed in a different format but basically has a unified understanding and solution in answering existing problems. For this reason a different legal order will continue to converge to achieve economic efficiency. The convergence activities can be carried out in the form of the establishment of new laws and regulations that summarize all previous relevant laws or harmonize the relevant legal provisions that have been applied. Based on this reason, in the opinion of the Transformation Researcher, it is better if it is done by aligning the relevant legal provisions into the Indonesian Civil Code. Therefore, in the opinion of the Researcher that the provisions are then transformed by adding the provisions in the Indonesian Civil Code with the aim of completing and increasing the scope of regulation in the Indonesian Civil Code.

E. Conclusions

1. Proses Transformasi Hukum Kontrak Perdagangan Internasional ke dalam Hukum Indonesia

The legal politics approach and the use of Convergence Legal Theory in analyzing the process of legal transformation in the field of international trade contracts into Indonesian positive law is appropriate. In addition, by using the nation's philosophical foundation, namely Pancasila as a staatfundamentalnorm and the State Constitution of the Republic of Indonesia as a constitution and the ideals of the Indonesian people are very well targeted.

2. Konsekuensi dari Transformasi Hukum di Bidang Kontrak Perdagangan Internasional Terhadap Kitab Undang-undang Hukum Dagang Indonesia

The consequences arising from the legal transformation in the field of international trade contracts into the Indonesian Commercial Code, according to the Researchers, will broaden the scope of the Indonesian Commercial Code itself. The following will be elaborated on several provisions in the United Nations Convention on Contracts for the International Sales of Goods (CISG) and the UNIDROIT Principles of International Commercial Contracts which, according to the Researchers, can be transformed into Indonesian positive law, especially Indonesian Commercial Code, between others as follows: 1) Regarding the offer (quotation) that had not previously been regulated, but is commonly used in practice (from Article 17 CISG with some adjustments); 2) Regarding insurance against purchases which aims to expand the scope of
Indonesian Commercial Code regulation, specifically Chapter IX (Articles 592-685 Indonesian Commercial Code) and Chapter X (Article 686-695 Indonesian Commercial Code) concerning coverage (of Article 32 paragraph (3) CISG with some adjustments); 3) Regarding the recognition of usage and practice in general in the world of commerce (from Article 1.9 paragraph (1) and (2) UPICC); 4) Regarding the calculation and determination of a period of time in a trade relationship that aims to expand the scope of regulation in the Indonesian Commercial Code (from Article 1.12 paragraph (1) and (2) UPICC); 5) Regarding the duty of confidentiality which aims to provide protection and expand the scope of the Indonesian Commercial Code regulation (from Article 2.1.16 UPICC); 6) Regarding payments by check (cheque) or other payment instruments that aim to expand the scope of Indonesian Commercial Code regulations, specifically Chapter VII (Articles 178-191 Indonesian Commercial Code) concerning checks (from Article 6.1.7 paragraph (1) and (2) UPICC); and 7) Regarding the recognition and enforcement of terms specified in International Commercial Terms (INCOTERMS) to help improve the efficiency of trading activities not only internationally but also nationally.

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3. **Konsekuensi dari Transformasi Hukum di Bidang Kontrak Perdagangan Internasional Terhadap Kitab Undang-undang Hukum Perdata Indonesia**

Inputs from UPICC and CISG that can be transformed into Indonesian civil law, especially the Indonesian Civil Code include the following: 1) Regarding standard terms that aim to expand the scope of the Indonesian Civil Code regulation (from Article 2.1.19 and Article 2.1. 20 UPICC with some adjustments); 2) Regarding gross disparities that aim to expand the scope of the Indonesian Civil Code (from Article 3.2.7 paragraph (1) and (2) UPICC with some adjustments); 3) Regarding difficult / difficult conditions (hardship) which aim to expand the scope of the Indonesian Civil Code regulation (from Article 6.2.1 to Article
6.2.3 UPICC with some adjustments); 4) Regarding the contract for the supply of goods to be made or produced is considered a sale (from Article 3 CISG); 5) Regarding the expansion of obligations of the seller regarding the transportation of goods which aims to expand the scope of the Indonesian Civil Code (from Article 32 paragraph (2) CISG); 6) Regarding the expansion of the obligations of the seller regarding the delivery of goods and their documents which aim to expand the scope of the Indonesian Civil Code (from Article 34 CISG); 7) Regarding the principle as it is in conformity or quality of goods which aims to expand the scope of regulation of the Indonesian Civil Code (of Article 35 paragraph (3) CISG); 8) Regarding the shipment of goods before the partial shipping date and delivery of goods which aims to expand the scope of the Indonesian Civil Code regulation (from Article 37 CISG); 9) Regarding the efforts of parties to whom the engagement is not fulfilled which aims to expand the scope of the Indonesian Civil Code (from Article 47 paragraph (1) CISG); 10) Regarding the expansion of obligations of buyers which aims to expand the scope of the Indonesian Civil Code regulation (from Article 54 CISG); and 11) Regarding the consequences of the cancellation / cancellation of an agreement which aims to expand the scope of the Indonesian Civil Code (from Article 81 paragraph (1) CISG).

According to the Researcher's opinion and based on the Theory of Convergence Law by Dr. Danrivanto Budhijanto, S.H., LL.M. in IT Law, FCBArb which explains that basically the legal system is formed in a different format but basically has a unified understanding and solution in answering existing problems. For this reason a different legal order will continue to converge to achieve economic efficiency. The convergence activities can be carried out in the form of the establishment of new laws and regulations that summarize all previous relevant laws or harmonize the relevant legal provisions that have been applied. Based on this reason, in the opinion of the Transformation Researcher, it is better if it is done by aligning the relevant legal provisions into the Indonesian Civil Code. Therefore, in the opinion of the Researcher that the provisions are then transformed by adding the provisions in the Indonesian Civil Code with the aim of completing and increasing the scope of regulation in the Indonesian Civil Code.
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