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Barriers and Prospects for Arbitration in Resolving Disputes in the Indonesian Coffee Industry

Ahmad Widad Muntazhor[1]*, Tetri Mutiara Afsaloka[2], & Muhammad Brillyan Alfayedo[3]

[1]Universitas Indo Global Mandiri, Indonesia

[2]Pengadilan Agama Pagar Alam Sumatera Selatan, Mahkamah Agung Republik Indonesia

[3]Pengadilan Negeri Pagar Alam Sumatera Selatan, Mahkamah Agung Republik Indonesia

Correspondence

Ahmad Widad Muntazhor, Universits Indo Global Mandiri, Indonesia, Jl. Jend. Sudirman Km.4 No. 62, 20 Ilir D. IV, Kec. Ilir Tim. I, Kota Palembang, Sumatera Selatan 30129, *e*-mail: ahmad_widad@uigm.ac.id

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Original Article

Abstract

The Indonesian coffee industry makes a substantial contribution to the national economy. However, the complexity of business relationships across its supply chain increases the likelihood of disputes, highlighting the need for effective and equitable dispute resolution mechanisms. This study examines the role of arbitration as a dispute resolution forum in the Indonesian coffee industry, analyzes its jurisdiction over both domestic and international commercial disputes, and identifies the barriers that limit business actors access to arbitration. The research employs a normative legal methodology using statutory, conceptual, comparative, and case-based approaches through an extensive review of primary, secondary, and tertiary legal sources. The findings demonstrate that arbitration is supported by a robust legal framework and offers several advantages, including procedural efficiency, confidentiality, and legal certainty, making it well suited to the unique characteristics of the coffee industry. Nevertheless, its effectiveness remains constrained by limited legal awareness, high arbitration costs, unequal bargaining power among parties, and institutional challenges. Accordingly, strengthening the regulatory framework and developing more inclusive, accessible, and cost-effective arbitration mechanisms are essential to enhance the sustainability and global competitiveness of Indonesias coffee industry.

Keywords: *Arbitration, Dispute Resolution, Coffee Industry, Arbitration Jurisdiction*

Abstrak

Industri kopi Indonesia memiliki kontribusi ekonomi yang besar, namun kompleksitas hubungan bisnis di sepanjang rantai pasoknya meningkatkan potensi sengketa yang memerlukan mekanisme penyelesaian yang efektif dan berkeadilan. Penelitian ini bertujuan menganalisis kedudukan arbitrase sebagai forum penyelesaian sengketa industri kopi, mengkaji yurisdiksi arbitrase dalam sengketa domestik dan internasional, serta mengidentifikasi hambatan akses arbitrase bagi pelaku usaha. Penelitian menggunakan metode hukum normatif dengan pendekatan perundang-undangan, konseptual, perbandingan, dan kasus melalui studi kepustakaan terhadap bahan hukum primer, sekunder, dan tersier. Hasil penelitian menunjukkan bahwa arbitrase memiliki dasar normatif yang kuat, menawarkan efisiensi, kerahasiaan, dan kepastian hukum, serta relevan dengan karakteristik industri kopi. Namun, efektivitasnya masih terkendala oleh rendahnya literasi hukum, tingginya biaya, ketimpangan posisi tawar, dan keterbatasan kelembagaan. Oleh karena itu, diperlukan penguatan regulasi dan pengembangan mekanisme arbitrase yang lebih inklusif, sederhana, dan terjangkau guna mendukung keberlanjutan serta daya saing industri kopi nasional.

Kata kunci: *Arbitrase, Penyelesaian Sengketa, Industri Kopi, Yurisdiksi Arbitrase*

1. INTRODUCTION

Coffee is a strategic agricultural commodity that plays a vital role in both the global and Indonesian economies. The steady increase in global coffee consumption, particularly within the specialty coffee market, underscores the commodity's strong economic potential. Indonesia consistently ranks among the world's leading coffee-producing countries, following Brazil, Vietnam, and Colombia. In addition to generating substantial foreign exchange earnings through exports, the coffee sector provides livelihoods for approximately 1.7–1.8 million smallholder farmers and makes a significant contribution to rural economic development.[1]

Despite its economic importance, the Indonesian coffee industry continues to face a range of structural challenges. Most domestic coffee production is carried out by smallholder farmers operating on limited landholdings with relatively low levels of productivity.[2] These challenges are compounded by inadequate access to modern cultivation technologies, financing, infrastructure, and market information. Moreover, the Indonesian coffee supply chain remains characterized by lengthy distribution networks and the dominance of intermediaries, resulting in an unequal distribution of economic benefits among supply chain participants.[3]

The rapid expansion of the coffee industry has also generated increasingly complex legal and commercial relationships. Business activities within the sector involve multiple stakeholders, including farmers, cooperatives, processors, exporters, distributors, retailers, and multinational corporations. This complexity increases the likelihood of commercial disputes arising from contract breaches, payment defaults, delayed payments, product quality discrepancies, and differing interpretations of contractual rights and obligations. As supply chains become more extensive and interconnected, the potential for conflicts of interest and commercial disputes likewise increases.

At the same time, the growing volume of international coffee trade has created a greater need for dispute resolution mechanisms that are efficient, timely, and capable of preserving long-term commercial relationships. Nevertheless, commercial dispute resolution in Indonesia continues to rely predominantly on litigation, which is frequently associated with prolonged proceedings, substantial costs, and highly

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1 Habibulah Habibulah et al., "Analysis of Indonesian Coffee Export Demand in the United States Using the Aids Model," *International Journal of Economic, Business, Accounting, Agriculture Management and Sharia Administration* 3, no. 3 (2023): 820–27, https://doi.org/10.54443/ijebas.v3i3.924.

2 Desi Anggraini, "Faktor-Faktor Yang Mempengaruhi Produksi Kopi Dalam Persepektif Ekonomi Islam Studi Pada Usaha Tani Kopi Di Muara Jaya Ii, Kecamatan Kebun Tebu, Lampung Barat," *Jurnal Azzahra: Jurnal Ekonomi Dan Bisnis Islam* 1, no. 1 (2023): 1–9.

3 Imam Asngari et al., *Hilirisasi Komoditas Kopi: Transformasi Dari Petani Menuju Industri Bernilai Tambah Tinggi* (Bening Media Publishing, 2026).

formalized procedural requirements.[4] These limitations may lead to significant economic losses and undermine the stability and efficiency of the coffee supply chain.

Arbitration has emerged as an alternative dispute resolution mechanism that offers several distinct advantages, including confidentiality, procedural flexibility, time efficiency, and final and binding awards.[5] Within the coffee industry, arbitration is particularly valuable because disputes often affect not only legal rights and contractual obligations but also long-term business relationships and mutual trust among commercial actors. Despite these advantages, the use of arbitration in Indonesia remains relatively limited due to several persistent challenges, including low levels of legal literacy, limited access to arbitration institutions, and the relatively high costs associated with arbitral proceedings.

Academic research on arbitration as a mechanism for resolving commercial disputes has expanded alongside the increasing complexity of legal relationships in both domestic and international trade. Existing studies generally conclude that arbitration provides a more effective alternative to litigation because it offers greater efficiency, confidentiality, procedural flexibility, and stronger protection of ongoing commercial relationships. However, research specifically examining arbitration within the context of the Indonesian coffee industry remains scarce.

For example, the study by Shapira et al., which examined the dispute between the Ketiara Coffee Traders Cooperative and Royal Coffee, found that the parties opted to resolve the dispute through negotiation in order to preserve their existing commercial relationship.[6] Meanwhile, studies by Marleen Natania and Marina and Lie emphasize the importance of governing law and dispute resolution clauses in international coffee trade contracts, concluding that international arbitration is the preferred forum because of its neutrality and the relative ease of enforcing cross-border arbitral awards.[7]

Studies examining arbitration as a commercial dispute resolution mechanism have also been conducted by Bilah and Yusuf and Muntazhor. Both studies conclude that arbitration offers several advantages over litigation, including confidentiality, procedural efficiency, predictable costs, and the ability to preserve long-term

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4 Meirina Nurlani, "Alternatif Penyelesaian Sengketa Dalam Sengketa Bisnis Di Indonesia," *Jurnal Kepastian Hukum Dan Keadilan* 3, no. 1 (2021), https://doi.org/10.32502/khk.v3i1.4519.

5 Yuliastri Khorvica Harahap et al., "Keunggulan Penggunaan Arbitrase Dalam Penyelesaian Sengketa," *Jurnal Cendikia ISNU SU* 1, no. 2 (2024): 55–58, https://doi.org/10.70826/jcisnu.v1i2.237.

6 Kania Shapira et al., "Penyelesaian Sengketa Bisnis Ekspor Impor Terhadap Wanprestasi Perjanjian Jual Beli Kopi Antara Koperasi Pedagang Kopi (Kopepi) Ketiara Dengan Royal Coffee," *Jurnal Pahlawan* 6, no. 2 (2024): 21–29, https://doi.org/10.31004/jp.v6i2.24364.

7 Marleen Natania, "Kepastian Hukum Dan Efektivitas Penyelesaian Sengketa Dalam Kontrak Bisnis Internasional: Studi Kasus PT Nusantara Coffee Dan German Coffee Gmbh," *Jurnal Citra Multidisiplin* 1, no. 4 (2026): 383–92, https://doi.org/10.38048/jcm.v1i4.6858; Marina Marina and Gunardi Lie, "Transaksi Bisnis Internasional Kopi Indonesia: Studi Kasus Kerja Sama PT Nusantara Coffee Dengan German Coffee GmbH," *Sakola: Journal of Sains Cooperative Learning and Law* 2, no. 2 (2025): 1041–49, https://doi.org/10.57235/sakola.v2i2.7167.

commercial relationships.[8] Conversely, studies by Idris and Sambas and S. Brahmana et al. identify several barriers to the effective implementation of arbitration in Indonesia, including limited legal literacy among business actors, regulatory uncertainty, and the relatively high upfront costs of arbitral proceedings.[9] These findings are further supported by Lumbantoruan et al., who argue that arbitration remains highly relevant in the era of globalization despite continuing challenges related to accessibility and the management of digital evidence.[10]

Although previous studies have contributed to the broader understanding of arbitration as an alternative dispute resolution mechanism, they have primarily focused on arbitration in the context of commercial disputes in general or international trade. To the best of the authors' knowledge, no previous study has comprehensively examined arbitration as a dispute resolution mechanism within the Indonesian coffee industry by simultaneously considering the unique characteristics of the coffee supply chain, the applicable jurisdictional framework for domestic and international disputes, and the practical barriers that limit access to arbitration for coffee industry stakeholders. This study addresses that gap by adopting a sector-specific perspective that integrates arbitration law with the distinctive legal and commercial characteristics of Indonesia's coffee industry.

Accordingly, this study aims to analyze the role of arbitration as a preferred forum for resolving disputes in the Indonesian coffee industry, examine the scope of arbitral jurisdiction in both domestic and international commercial disputes, and identify the principal barriers encountered by business actors in accessing arbitration. The findings are expected to contribute to the development of a conceptual framework for designing arbitration mechanisms that are more effective, accessible, and responsive to the needs of the coffee sector. Ultimately, such mechanisms are intended to strengthen legal certainty, promote sustainable commercial relationships, and enhance the global competitiveness of Indonesia's coffee industry.

2. RESEARCH METHODOLOGY

This study employs a normative legal research (doctrinal) approach, which conceptualizes law as a system of norms, legal principles, doctrines, and statutory

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[8] Diah Ayu Zalsa Bilah and Hudi Yusuf, "Penyelesaian Sengketa Bisnis Melalui Arbitrase Di Indonesia," *Jurnal Intelek Insan Cendikia* 1, no. 4 (2024): 1098–105; Ahmad Widad Muntazhor, "Arbitrase Sebagai Pilihan Forum Penyelesaian Sengketa Konstruksi Bagi Perguruan Tinggi Negeri Berbadan Hukum," *Lex Lata: Jurnal Ilmiah Hukum* 6, no. 3 (2024): 352–65, https://doi.org/10.28946/lexl.v6i3.3704.

[9] Faizul Idris and Nandang Sambas, "Arbitrase Sebagai Solusi Sengketa Bisnis: Menakar Keunggulan Dan Tantangan Berdasarkan Undang-Undang No. 30 Tahun 1999 Tentang Arbitrase Dan Alternatif Penyelesaian Sengketa," *Khatulistiwa: Jurnal Pendidikan Dan Sosial Humaniora* 5, no. 1 (2025): 1–13, https://doi.org/10.55606/khatulistiwa.v5i1.5669; Febi Febonecci S.Brahmana et al., "Menyikapi Tantangan Pelaksanaan Arbitrase Di Indonesia," *Jurnal Cendikia ISNU SU* 1, no. 3 (2024): 177–82, https://doi.org/10.70826/jcisnu.v1i3.518.

[10] William G. Lumbantoruan et al., "Efektivitas Arbitrase Sebagai Alternatif Penyelesaian Sengketa Bisnis," *Jurnal Media Akademik* 4, no. 3 (2026), https://doi.org/10.62281/wzm5wn40.

provisions governing legal relationships within society. This method is appropriate because the study focuses on examining the legal framework governing arbitration as a dispute resolution mechanism in the Indonesian coffee industry, including its legal basis, jurisdictional scope, and the practical challenges faced by coffee industry stakeholders in accessing arbitral proceedings.

The research adopts a descriptive-analytical design. It systematically examines the legal framework governing arbitration while critically analyzing its relevance and effectiveness in addressing disputes arising throughout the coffee supply chain. To achieve these objectives, the study applies four complementary research approaches: the statutory approach, the conceptual approach, the comparative approach, and the case approach.

The study relies exclusively on secondary data collected through an extensive review of legal literature and documentary sources. The legal materials comprise primary legal materials, including relevant legislation and judicial decisions; secondary legal materials, such as scholarly books and peer-reviewed journal articles; and tertiary legal materials, including legal dictionaries and encyclopedias. The collected legal materials are analyzed qualitatively using a prescriptive legal analysis. The analytical process involves the systematic identification, interpretation, classification, and legal construction of relevant legal norms to formulate recommendations for strengthening arbitration mechanisms that are effective, accessible, and responsive to the specific needs of Indonesia's coffee industry.

3. RESEARCH RESULT AND DISCUSSION

3.1. Arbitration as the Preferred Forum for Dispute Resolution in the Indonesian Coffee Industry

Arbitration has a well-established legal foundation as a mechanism for resolving commercial disputes in Indonesia. Its principal legal basis is provided by Law No. 30 of 1999 on Arbitration and Alternative Dispute Resolution, which recognizes the parties' authority to settle civil disputes outside the judicial system through a written arbitration agreement. This framework is consistent with the principle of freedom of contract embodied in Article 1338 of the Indonesian Civil Code, under which a lawfully executed agreement is binding upon the parties as the law governing their contractual relationship. Accordingly, the inclusion of an arbitration clause in coffee trade agreements reflects the principle of party autonomy, which is firmly recognized under Indonesian contract law.

Arbitration clauses play a particularly strategic role in the coffee industry. Commercial relationships within the sector extend beyond simple sales transactions to encompass partnership agreements, financing arrangements, processing contracts, distribution agreements, and international trade contracts, all of which involve significant legal and commercial risks. Disputes arising from these relationships commonly concern breaches of contract, delayed payments, non-compliance with coffee quality standards, delivery failures, and disagreements regarding pricing or profit-sharing arrangements.[11] In this context, arbitration functions as an important legal risk management mechanism by providing certainty regarding the forum and procedures for resolving disputes before conflicts arise.

Arbitration offers several advantages that make it particularly well suited to the characteristics of the Indonesian coffee industry. First, it generally provides greater procedural efficiency than litigation. Court proceedings often require considerable time because of complex procedural requirements, extensive evidentiary processes, and judicial case backlogs.[12] Arbitration, by contrast, is designed to facilitate the expeditious resolution of disputes, thereby minimizing disruptions to commercial operations. Timely dispute resolution is especially important in the coffee sector, where production and trading cycles are highly seasonal and commercial relationships depend on maintaining uninterrupted business operations.

Second, arbitration ensures a high degree of confidentiality, a feature generally unavailable in judicial proceedings.[13] Disputes involving product quality, payment obligations, or contractual performance may adversely affect the commercial reputation of the parties involved. Confidential arbitral proceedings therefore protect sensitive business information while preserving the confidence of trading partners. This confidentiality makes arbitration particularly suitable for the coffee industry, where long-term commercial relationships are founded on trust and reputation.

Third, arbitration provides substantial procedural flexibility by allowing the parties to determine the applicable procedural rules, appoint arbitrators with relevant expertise, designate the seat of arbitration, and select the governing law.[14] Such flexibility is especially valuable in disputes involving specialized issues, including coffee quality standards, sustainability certification, post-harvest processing, and international export requirements. The ability to appoint arbitrators with expertise in commodity trading and the coffee sector represents a significant advantage over litigation, where judges may lack specialized industry knowledge.

Fourth, arbitral awards are final and binding, thereby providing a higher degree of legal certainty than judicial decisions, which may remain subject to multiple levels of

[11] Marina and Lie, "Transaksi Bisnis Internasional Kopi Indonesia."

[12] Erleni Erleni et al., "Kekuatan Mengikat Dari Keputusan Arbitrase Dihubungkan Dengan Sifat Final & Binding," *Consensus: Jurnal Ilmu Hukum* 3, no. 3 (2025): 111–16.

[13] Idris and Sambas, "Arbitrase Sebagai Solusi Sengketa Bisnis: Menakar Keunggulan Dan Tantangan Berdasarkan Undang-Undang No. 30 Tahun 1999 Tentang Arbitrase Dan Alternatif Penyelesaian Sengketa."

[14] Abdul Wahid, "Pengangkatan Arbiter Dalam Arbitrase Internasional: Suatu Studi Perbandingan Berdasarkan UNICI Berdasarkan UNICITRAL, ICC, AAA Dan LCIA RULES," *Jurnal Hukum & Pembangunan* 29, no. 3 (2026): 2.

appeal.[15] This finality is particularly important for maintaining the continuity and stability of the coffee supply chain, especially in commercial transactions involving exporters and international buyers that require prompt and enforceable dispute resolution.

These findings are consistent with those of Bilah and Yusuf, who conclude that arbitration is a more effective mechanism than litigation for preserving commercial relationships while ensuring confidentiality between contracting parties.[16] Likewise, Muntazhor emphasizes arbitration's advantages in terms of procedural efficiency, predictable costs, and procedural flexibility.[17] The present study also supports the findings of Idris and Sambas, who identify arbitration as an effective alternative dispute resolution mechanism capable of enhancing legal certainty and operational efficiency for commercial actors.[18] The results further suggest that these advantages are particularly relevant to the Indonesian coffee industry, where long-term contractual cooperation, technical expertise, and commercial continuity are essential to sustaining competitiveness in domestic and international markets.

Although previous studies have primarily examined arbitration within the broader contexts of commercial disputes and international trade, the present study demonstrates that arbitration has particular significance in the coffee industry because of the collaborative and long-term nature of commercial relationships involving multiple stakeholders across the supply chain. The sustainability of these relationships depends not only on the successful execution of commercial transactions but also on the parties' ability to resolve disputes promptly, efficiently, and in a manner that preserves mutual trust.

Accordingly, arbitration should be viewed not merely as an alternative dispute resolution mechanism but also as an integral component of commercial governance that promotes the long-term sustainability of the coffee industry. By providing an efficient and predictable framework for resolving disputes, arbitration can reduce transaction costs associated with commercial conflicts, minimize legal uncertainty, and strengthen business confidence among market participants. These benefits ultimately contribute to enhancing the competitiveness of Indonesia's coffee industry in both domestic and international markets.

The inclusion of arbitration clauses in coffee-related commercial agreements also serves an important preventive legal function. Well-drafted arbitration clauses establish

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15 Wilson Wilson et al., "Implementation of The Final And Binding Principle In The Resolution of International Business Disputes Through Arbitration," *Journal of Multidisciplinary Research* 2, no. 3 (2026): 197–204, https://doi.org/10.70963/jmr.v2i3.660.

16 Bilah and Yusuf, "Penyelesaian Sengketa Bisnis Melalui Arbitrase Di Indonesia."

17 Muntazhor, "Arbitrase Sebagai Pilihan Forum Penyelesaian Sengketa Konstruksi Bagi Perguruan Tinggi Negeri Berbadan Hukum."

18 Idris and Sambas, "Arbitrase Sebagai Solusi Sengketa Bisnis: Menakar Keunggulan Dan Tantangan Berdasarkan Undang-Undang No. 30 Tahun 1999 Tentang Arbitrase Dan Alternatif Penyelesaian Sengketa."

certainty regarding the forum and procedures for dispute resolution before conflicts arise, thereby reducing jurisdictional disputes, minimizing procedural delays, and facilitating the timely resolution of commercial disagreements.

Arbitration occupies a strategically important position as a dispute resolution mechanism within the Indonesian coffee industry. Its strong legal foundation, procedural advantages, and compatibility with the distinctive characteristics of commercial relationships throughout the coffee supply chain position arbitration as an effective legal instrument for promoting sustainable business relationships, enhancing legal certainty, and strengthening the international competitiveness of Indonesia's coffee sector in an increasingly complex global trading environment.

3.2. Arbitral Jurisdiction as a Dispute Resolution Mechanism in the Coffee Industry

The inclusion of an arbitration clause in a commercial contract has significant legal consequences. Beyond designating the forum for dispute resolution, such a clause transfers jurisdiction over the dispute from the district court to the arbitral tribunal. Once the parties have agreed to submit disputes to arbitration, they are legally precluded from bringing the same dispute before the courts. This legal effect is expressly recognized in Articles 3 and 11 of Law No. 30 of 1999 on Arbitration and Alternative Dispute Resolution, which provide that district courts lack jurisdiction over disputes arising from contractual relationships governed by a valid arbitration agreement.

Within the coffee industry, arbitration clauses perform both preventive and remedial functions. From a preventive perspective, they establish legal certainty by identifying the dispute resolution mechanism that will govern any future disagreements arising from the contractual relationship. From a remedial perspective, the arbitration clause constitutes the legal basis upon which the arbitral tribunal exercises its authority to hear and finally determine disputes through binding arbitral awards.

The jurisdiction of arbitral tribunals is further reinforced by Article II(3) of the 1958 New York Convention, which requires the courts of contracting states to recognize and enforce arbitration agreements. Under this provision, national courts must refer the parties to arbitration whenever the dispute falls within the scope of a valid arbitration agreement, unless that agreement is found to be null and void, inoperative, or incapable of being performed. Consequently, in disputes arising from international coffee trade, a valid arbitration clause limits the jurisdiction of domestic courts while promoting legal certainty and predictability for the contracting parties.

Arbitral jurisdiction in the coffee industry is not confined to disputes arising under contracts containing a pre-dispute arbitration clause (pactum de compromittendo). It may also be established through a post-dispute arbitration agreement (acta compromis), whereby the parties mutually agree to submit an existing dispute to arbitration after the dispute has arisen. This mechanism provides valuable flexibility for commercial actors who did not initially include an arbitration clause in their contracts but subsequently determine that arbitration offers the most appropriate means of resolving their dispute.

The principle of *kompetenz-kompetenz* also plays a fundamental role in determining the jurisdiction of arbitral tribunals in disputes involving the coffee industry. Under this principle, arbitrators are authorized to determine their own jurisdiction, including the validity and scope of the arbitration agreement.[19] However, Indonesian arbitration law does not expressly codify this principle in Law No. 30 of 1999, creating a degree of legal uncertainty. As a result, jurisdictional conflicts between arbitral tribunals and district courts may still arise, particularly in disputes concerning the validity, interpretation, or enforceability of arbitration agreements.

Domestic arbitral awards are final and binding and become enforceable upon registration with the clerk of the competent district court within thirty days after the award is rendered. This registration requirement constitutes a procedural prerequisite for enforcement rather than judicial review of the merits of the award. The findings of this study indicate that the registration mechanism primarily serves an administrative function by facilitating the enforcement process without diminishing the final and binding nature of the arbitral award.

The recognition and enforcement of foreign arbitral awards are governed by Articles 65–69 of Law No. 30 of 1999. Under these provisions, jurisdiction for recognizing and enforcing international arbitral awards rests exclusively with the Central Jakarta District Court. This legal framework is particularly significant for participants in the international coffee trade because it establishes a clear and predictable mechanism for the recognition and enforcement of foreign arbitral awards in Indonesia, thereby strengthening legal certainty in cross-border commercial transactions.

The findings of this study are consistent with those of Marina and Lie and Marleen Natania, who conclude that international arbitration is the most effective dispute resolution mechanism for cross-border coffee trade because arbitral awards are recognized and enforceable under the framework of the 1958 New York Convention.[20] The present study also supports the findings of Shapira et al., which emphasize the importance of non-litigation dispute resolution mechanisms in preserving long-term commercial relationships within the international coffee trade.[21]

Beyond its function as a dispute resolution mechanism, arbitral jurisdiction also serves as an important instrument of legal risk management in the coffee industry. A well-drafted arbitration clause provides certainty regarding the competent forum for

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19 Dina Gita Prianti, "Komparasi Penerapan Arbitrase Internasional Sebagai Instrumen Penyelesaian Sengketa Di Luar Pengadilan," *Adil: Jurnal Hukum* 16, no. 2 (2026): 300–316, https://doi.org/10.33476/ajl.v16i2.5718.

20 Marina and Lie, "Transaksi Bisnis Internasional Kopi Indonesia"; Marleen Natania, "Kepastian Hukum Dan Efektivitas Penyelesaian Sengketa Dalam Kontrak Bisnis Internasional."

21 Shapira et al., "Penyelesaian Sengketa Bisnis Ekspor Impor Terhadap Wanprestasi Perjanjian Jual Beli Kopi Antara Koperasi Pedagang Kopi (Kopepi) Ketiara Dengan Royal Coffee."

resolving disputes, thereby reducing legal uncertainty, minimizing jurisdictional conflicts, and lowering the transaction costs associated with commercial disputes. Consequently, arbitration contributes not only to the efficient settlement of disputes but also to the overall stability and predictability of commercial transactions throughout the coffee supply chain.

Strengthening the legal framework governing arbitral jurisdiction has important strategic implications for the development of Indonesia's coffee industry. Greater certainty regarding the applicable dispute resolution forum enhances business confidence, encourages domestic and foreign investment, and strengthens the bargaining position of Indonesian coffee enterprises in international commercial transactions. Conversely, uncertainty concerning jurisdiction may generate unnecessary litigation, increase transaction costs, and undermine the competitiveness of Indonesian coffee in increasingly integrated global markets.

Arbitral jurisdiction plays a pivotal role in resolving disputes arising within the coffee industry at both the domestic and international levels. The authority of arbitral tribunals, derived from the parties' agreement, together with the legal recognition of the exclusive effect of arbitration clauses and the established mechanisms for enforcing both domestic and foreign arbitral awards, demonstrates that arbitration provides an effective framework for ensuring legal certainty, procedural efficiency, and the preservation of long-term commercial relationships throughout the coffee supply chain. Accordingly, further strengthening the regulatory framework governing arbitral jurisdiction, while improving business actors' understanding of the legal implications of arbitration agreements, is essential for promoting the sustainability and international competitiveness of Indonesia's coffee industry in the evolving global trading environment.

3.3. Barriers to Accessing Arbitration in the Indonesian Coffee Industry

The most significant barrier identified in this study is the low level of legal literacy among participants in the coffee industry. Most coffee farmers, farmer organizations, cooperatives, and small-scale processing enterprises have only a limited understanding of contractual rights and obligations, dispute resolution mechanisms, and the legal implications of incorporating arbitration clauses into commercial agreements. In practice, many business actors enter into partnership agreements, purchase contracts, and distribution arrangements without fully appreciating the legal consequences of the contractual provisions to which they have agreed.

This limited legal literacy has resulted in arbitration being perceived not as an effective mechanism for legal protection but rather as a complex and costly process that is accessible only to large corporations. Consequently, many participants in the coffee industry continue to rely on informal negotiations to resolve disputes or, in some cases, choose not to pursue legal remedies at all because they are unaware of the dispute resolution mechanisms available to them. As a result, inadequate legal literacy directly undermines the accessibility and practical utilization of arbitration within the coffee sector.

These findings are consistent with those reported by S. Brahmana et al., who identify limited public and commercial awareness of arbitration procedures as one of the principal obstacles to the effective implementation of arbitration in Indonesia.[22] Similarly, Idris and Sambas conclude that low levels of legal literacy significantly reduce the effectiveness of arbitration as an alternative mechanism for resolving commercial disputes.[23] The present study extends these findings by demonstrating that, within the coffee industry, deficiencies in legal literacy encompass not only a limited understanding of arbitration itself but also a broader inability among business actors to comprehend contractual relationships and identify the legal risks associated with their commercial activities.

The second major barrier identified by this study is the relatively high cost of arbitral proceedings. Although arbitration is generally regarded as more efficient than litigation because of its streamlined procedures and the finality of arbitral awards, the financial burden associated with arbitration remains substantial for small and medium-sized enterprises operating in the coffee sector. Arbitration-related expenses extend beyond administrative and arbitrator fees to include costs associated with expert witnesses, evidentiary proceedings, travel, legal representation, and other operational expenditures. For smallholder farmers and small businesses with limited financial resources, these costs are often disproportionate to the economic value of the dispute. Consequently, arbitration continues to be perceived as a dispute resolution mechanism that primarily serves large commercial enterprises rather than micro, small, and medium-sized enterprises (MSMEs).

The findings of this study support those of Lumbantoruan et al., who identify high initial costs as one of the principal limitations of arbitration.[24] Likewise, Idris and Sambas conclude that the financial burden associated with arbitration remains a significant factor limiting its broader utilization by commercial actors.[25] However, the present study demonstrates that the cost barrier is particularly acute within the Indonesian coffee industry because the sector is dominated by MSMEs with limited financial capacity and little or no dedicated budget for dispute resolution. As a result, the affordability of arbitration represents a more significant challenge in this sector than in many other areas of commercial activity.

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22 S.Brahmana et al., "Menyikapi Tantangan Pelaksanaan Arbitrase Di Indonesia."

23 Idris and Sambas, "Arbitrase Sebagai Solusi Sengketa Bisnis: Menakar Keunggulan Dan Tantangan Berdasarkan Undang-Undang No. 30 Tahun 1999 Tentang Arbitrase Dan Alternatif Penyelesaian Sengketa."

24 Lumbantoruan et al., "Efektivitas Arbitrase Sebagai Alternatif Penyelesaian Sengketa Bisnis."

25 Idris and Sambas, "Arbitrase Sebagai Solusi Sengketa Bisnis: Menakar Keunggulan Dan Tantangan Berdasarkan Undang-Undang No. 30 Tahun 1999 Tentang Arbitrase Dan Alternatif Penyelesaian Sengketa."

The third barrier identified in this study is the imbalance in bargaining power within contractual relationships. The structure of Indonesia's coffee supply chain reflects significant disparities in economic power between upstream and downstream market participants. Coffee farmers, farmer groups, and cooperatives frequently negotiate with exporters, large processing companies, and multinational corporations that possess substantially greater financial resources, market access, legal expertise, and negotiating leverage.

This imbalance directly influences the drafting of contractual provisions, including arbitration clauses. In many instances, arbitration agreements are unilaterally prepared by the economically dominant party, leaving smaller business actors with little choice but to accept or reject the contract in its entirety without a meaningful opportunity to negotiate its terms. Consequently, although Indonesian contract law formally recognizes the principle of freedom of contract, the resulting agreements do not always reflect genuine equality of bargaining power or an equitable balance of interests between the contracting parties.

Accordingly, arbitration cannot be evaluated independently of the broader commercial relationships within which it operates. While arbitration is normatively founded upon the mutual consent of the parties, such consent may, in practice, be obtained within unequal contractual relationships. The effectiveness of arbitration in the coffee industry therefore depends not only on the adequacy of the applicable legal framework but also on the legal system's ability to ensure procedural fairness and a reasonable balance of bargaining power during contract formation.

The fourth barrier concerns the limited institutional capacity of arbitration in Indonesia. Existing arbitral institutions remain concentrated in major urban centers, whereas most coffee-producing regions are located in rural and geographically remote areas. This institutional concentration significantly restricts both the geographic and administrative accessibility of arbitration services for many participants in the coffee industry.

Although the Indonesian National Board of Arbitration (BANI) has established a strong reputation and extensive experience in resolving commercial disputes, its institutional framework has not yet fully responded to the specific needs of stakeholders in the agricultural and plantation sectors. Moreover, Indonesia currently lacks a specialized arbitral institution dedicated to disputes arising within the coffee industry or other plantation commodity sectors. As a result, arbitration is still widely perceived as a dispute resolution mechanism that is relatively distant from the practical realities and operational needs of local coffee businesses.

The barriers to accessing arbitration within the coffee industry are therefore multidimensional and mutually reinforcing. Limited legal literacy reduces business actors' awareness of the advantages of arbitration; relatively high costs restrict their ability to utilize arbitral proceedings; unequal bargaining power undermines the fairness and effectiveness of arbitration agreements; and institutional limitations reduce the availability and accessibility of arbitration services across coffee-producing regions.

The findings of this study indicate that the effectiveness of arbitration as a dispute resolution mechanism depends not only on the existence of an adequate legal framework but also on the extent to which arbitration is accessible to all participants in the coffee industry. Accordingly, meaningful institutional reform and more inclusive public policies are required. Such reforms should include strengthening legal literacy among business actors, simplifying arbitral procedures, expanding the availability of expedited arbitration, developing affordable arbitration schemes for micro, small, and medium-sized enterprises (MSMEs), and establishing sector-specific arbitration mechanisms tailored to the distinctive characteristics of the coffee industry. These initiatives are essential to ensuring that arbitration functions not only as an effective dispute resolution mechanism for large commercial enterprises but also as a practical means of improving access to justice for all participants in Indonesia's coffee sector.

4. CONCLUSION

Arbitration has a well-established legal foundation under Law No. 30 of 1999 on Arbitration and Alternative Dispute Resolution and the principle of freedom of contract. It is particularly well suited to the characteristics of the Indonesian coffee industry because it offers procedural efficiency, confidentiality, flexibility, and legal certainty. The jurisdiction of arbitral tribunals is derived from the parties' agreement through an arbitration clause, which excludes the jurisdiction of the courts and is reinforced by the legal framework governing the recognition and enforcement of both domestic and foreign arbitral awards.

Despite these advantages, the effectiveness of arbitration remains constrained by several factors, including limited legal literacy among business actors, the relatively high costs of arbitral proceedings, unequal bargaining power in contractual relationships, and the limited institutional capacity of arbitration services. The findings of this study demonstrate that arbitration has considerable potential to serve as an effective dispute resolution mechanism capable of promoting the sustainability and international competitiveness of Indonesia's coffee industry, provided that it is supported by inclusive legal and institutional reforms.

This study contributes to the existing literature by providing a conceptual basis for strengthening Indonesia's arbitration framework and for developing sector-specific arbitration models tailored to the coffee industry. However, the study is limited by its normative legal methodology and does not incorporate empirical evidence regarding the practical implementation of arbitration among coffee industry stakeholders. Accordingly, the government should prioritize the development of simplified and cost-effective arbitration schemes, while simultaneously strengthening legal literacy among business actors to improve access to arbitration. Future research should adopt empirical methodologies and comparative international perspectives to develop arbitration models that are better adapted to the legal and commercial characteristics of Indonesia's coffee industry.

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