

Circular Ref: 2016/0003**Date: 3 February 2016****Trading with Indonesian Entities - Be Careful - A New Law**

In the recent case of PT Bangun Karya Pratama Lestari v Nine AM Ltd (“Nine AM Case”) (August 2015), the Indonesian Supreme Court upheld the ruling of the West Jakarta High Court in which a loan agreement between the parties was nullified and voided. This was on the basis that the contract did not have an Indonesian version of the contract and therefore was not as per the requirements of the Law 24 of 2009 (‘Indonesian Language Law’).

Art 31 (1) of the Indonesian Language Law provides that:

“the Indonesian language will be used in MOU’s and agreements involving state institutions, government agencies of Indonesia, private Institutions and individual Indonesian citizens”.

In addition, Art 31(2) of the same law provides that for MOU’s and agreements involving foreign parties, the MOU/Agreement may also be written in a foreign language and/or English. It therefore suggests that whenever a contract is with an Indonesian Entity, there must an Indonesian Version of the contract.

Therefore, Andrew Liu’s clients dealing with Indonesian entities should adopt this ruling in business practice. On the basis of the ruling any contract can be declared as null and void if an Indonesian version of the contract is not available at the time of signing the contract. This ruling has been provided by the Indonesian Supreme Court, it is submitted that the lower courts of Indonesia would follow it.

ALCO’s FDD department based in Shanghai advice to Andrew Liu clients is as follows:

1. Any charterparty or bill of lading should be translated in Indonesian language so as not to fall foul of this Act. Though, it is not clear how far this Act will be applicable and to which contracts.
2. The contracts with agents in Indonesian entity should also be translated.
3. Engage with Indonesian lawyer or if you have none, FDD department can assist. We have assisted a few clients to get a few things clarified through an Indonesian lawyer.

Source of Information: Andrew Liu & Co., Ltd www.andrewliu.com.hk