Realism: Law Review
Volume 3 Nomor 1
April 2025

Legal Certainty and Protection Against Embargo Risks in Foreign Major Weapons Procurement

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Abstract

Foreign procurement of major weapons systems (MWS) requires legal safeguards for operation, maintenance, spare parts, and technical support throughout the system life cycle. This article examines the legal nature and enforceability of the guarantee required by Article 43(5)(d) of Law No. 16 of 2012 and the protection available when supplier-state export restrictions arise after procurement. MWS is treated as a functional subset of foreign-sourced Defence and Security Equipment, identified by strategic value, technological complexity, long service life, and dependence on specialised lifecycle support. Using normative legal research with statutory, conceptual, and historical approaches, the study assesses the legislation through six indicators of legal certainty: subject, object, compliance standard, procedure, duration, and legal consequences. It finds that the guarantee is a mandatory preventive condition binding the Indonesian procurement process; it does not, by itself, bind a foreign supplier-state government. A supplier becomes contractually accountable only for obligations assumed under the procurement contract and its governing law, while a state commitment requires separate consent in an appropriate instrument. The article's contribution is an operational, three-tier framework distinguishing administrative compliance, contractual risk allocation and remedies, and intergovernmental commitments. The framework supports procurement rules and standard clauses requiring documented export-control risk assessment, continuity-of-support obligations, notification and mitigation, and proportionate recovery without requiring unlawful performance.

Keywords: Contractual Liability; Defence Procurement; Embargo Risk; Legal Certainty; Legal Protection.

A. INTRODUCTION

The procurement of major weapons systems (MWS) is an important component of national defence, particularly in safeguarding Indonesia's sovereignty and territorial

integrity. Advances in weapons technology and the increasing complexity of security threats require the continuous modernisation of MWS. However, the limited capacity of the domestic defence industry means that part of Indonesia's defence equipment requirements must still be met through foreign procurement. Such procurement creates dependence on supplier states for spare parts, maintenance, technological upgrades, software, and technical support. The risk is therefore not confined to the initial delivery: it extends across the operational life of the system and may affect readiness when political relations or export policies change (Susdarwono, 2020).

For the purposes of this article, MWS is an analytical category rather than a term expressly defined by Law No. 16 of 2012. The Law uses the broader term "Alat Peralatan Pertahanan dan Keamanan" (Alpalhankam), while the implementing procurement regulation includes main weapon systems (Alat Utama Sistem Persenjataan/Alutsista), their main and supporting components, and other supporting equipment. This study narrows its focus to systems with strategic value for national defence, substantial technological complexity, a long service life, and material reliance on manufacturer-specific parts, licences, software, or maintenance. The analysis therefore does not claim that every item of foreign Alpalhankam is an MWS, nor does it alter the statutory scope of Article 43 (Republic of Indonesia, 2012, Arts. 1(2), 43(3); Republic of Indonesia, 2019, Art. 3).

A procurement notification concerning a possible United States Foreign Military Sale to Indonesia illustrates the lifecycle character of this dependence. In November 2011, the United States Defense Security Cooperation Agency notified Congress of a proposed regeneration and upgrade package for 24 F-16C/D Block 25 aircraft and 28 engines, together with spare and repair parts, technical publications, training, and

engineering and logistical support. The notice described a possible sale rather than proof that every item in the proposed package was ultimately contracted or delivered. Its relevance here is contextual: a major platform may depend on continuing access to components, technical information, training, and support services that remain subject to export licensing (Defense Security Cooperation Agency, 2011).

Indonesia's experience in 1999 demonstrates that procurement dependence may expose operational support to changes in foreign policy. On 10 September 1999, the United States announced the suspension of consideration of new and pending commercial and Foreign Military Sales arms transfers and steps to stop previously approved transfers in the pipeline. This was an announced suspension of military sales and transfers, rather than a measure that should be conflated with every form of military cooperation. On 16 September 1999, the European Union adopted a formal Common Position imposing an arms embargo on arms, munitions, military equipment, platforms, spare parts, repairs, maintenance, and military technology; it separately suspended bilateral military cooperation and restricted certain equipment that might be used for internal repression. The Common Position expired on 17 January 2000. The United States later waived restrictions on Foreign Military Financing and defence exports on 16 November 2005, allowing selected areas of military assistance to resume; this was not a statement that every export-control restriction had disappeared (Council of the European Union, 1999, Arts. 1–5; U.S. Department of State, 1999, 2005; Morrissey, 2006).

These events are relevant to current procurement because the underlying vulnerability persists even when diplomatic relations improve: a system already in service may still require the supplier's authorisation for spare parts, repairs, software

updates, or technical assistance. Law No. 16 of 2012 on the Defence Industry consequently regulates foreign procurement of Alpalhankam and, in Article 43(5)(d), requires a guarantee addressing potential embargoes, political conditionalities, and obstacles to the use of the equipment for the specified national-defence purposes. The provision is part of a broader statutory policy that prioritises domestic products and links unavoidable foreign procurement to domestic-industry participation and technology transfer (Republic of Indonesia, 2012, Arts. 43(1)–(5)).

Nevertheless, the provision raises questions concerning legal certainty and the reach of the obligation. Article 43(5)(d) requires a guarantee in the Indonesian procurement process, but it does not state in detail who must issue it, which systems and lifecycle services it must cover, how adequacy is assessed, or what follows if export restrictions arise after procurement. Indonesian procurement legislation governs Indonesian public authorities and the procurement process; it does not, without consent or a separate legal basis, bind a foreign sovereign government. A private supplier may be bound by undertakings in the contract and its governing law, but such a contract does not automatically make the supplier's home government a party. The United States is used below as an illustrative supplier jurisdiction because of the 1999 measures and the continued use of US-origin components and support in procurement examples; the discussion is not a representative comparison of all supplier states (United States of America, 1976, 22 U.S.C. § 2778).

The term "embargo" must be distinguished from the broader taxonomy of export restrictions. First, a United Nations Security Council arms embargo adopted under Chapter VII, including Article 41 of the Charter, is a measure directed to UN Member States and may specify the items, recipients, and forms of assistance prohibited.

Second, a unilateral measure by a supplier state derives from that state's domestic law and ordinarily operates through its jurisdiction over exporters, nationals, territory, and licensing authorities. Third, export licences may be refused, suspended, or revoked; fourth, end-use and end-user controls may restrict the purpose or recipient of an item; and fifth, re-export or retransfer rules may require prior authorisation before controlled articles or components are transferred onward. These measures are not interchangeable. The principal focus of this article is the latter supplier-state restrictions that may interrupt the supply, maintenance, repair, software, or technical support of MWS, including restrictions affecting third-country components. In particular, a re-export restriction is not necessarily a comprehensive embargo against Indonesia (United Nations, 1945, Art. 41; U.S. Department of State, 2025, 22 C.F.R. § 123.9; Bove & Böhmelt, 2021; Kuo & Spindel, 2023; Klomp, 2025).

This situation reveals a tension between the guarantee required by Indonesian law and the authority of supplier states to determine their own arms-export policies. In this study, legal protection is understood through three connected but distinct layers: administrative safeguards against procurement decisions that create unassessed dependence; private-law protection of Indonesia's contractual rights to delivery, maintenance, and remedies; and international-law commitments only where a supplier state has validly consented to be bound. This conception protects continuity of defence capability and the public's safety while recognising that no guarantee can displace lawful end-use restrictions or the State's obligations to use defence equipment consistently with applicable international law. A general statement that no embargo will occur is therefore less protective than a documented risk assessment, enforceable support obligations, and a defined recovery mechanism.

Previous studies provide important but distinct foundations for this inquiry. Research on the effectiveness of arms embargoes examines how restrictions affect arms transfers, trade diversion, and supplier substitution (Baronchelli et al., 2022; Bove & Böhmelt, 2021; Kuo & Spindel, 2023; Klomp, 2024, 2025). Ariatmaja, Wisanjaya, and Utari (2016) specifically analyse the US arms embargo against Indonesia from the perspective of international law, focusing on legality, consequences, and diplomatic resolution. These works explain the operation and effects of restrictions, but do not determine the legal nature of the guarantee under Article 43(5)(d), identify its addressees, or establish when a supplier can be held contractually accountable.

A second group of studies examines defence-industry self-reliance, technology transfer, and offsets. Susdarwono (2020) and Baiquni et al. (2022) discuss the development of domestic industrial capacity, research, and defence-industry clusters. Kleczka et al. (2024) examine strategic autonomy and defence supply-chain dependence, while Sudiro et al. (2025) analyse technology transfer and the protection of defence-technology property rights. Maharani and Matthews (2023) assess the historical contribution and limitations of offset in Indonesia's strategic industries. This literature demonstrates why local maintenance capability, technology transfer, and offsets matter, but it does not make them automatic substitutes for export licences, intellectual-property permissions, or contractually secured repair rights.

A third group addresses procurement strategy and supply-chain organisation, including Indonesia's acquisition strategy, naval procurement, and the complexity of integrating defence suppliers (Aspeteg et al., 2025; Basundoro & Sanjaya, 2025; Hellberg, 2026; Matthews et al., 2025). A fourth, smaller body of legal literature

considers force majeure in international commercial contracts and the legal significance of certainty and treaty formalities (Bantekas, 2022; Manullang, 2022; Natarajan, 2022; Tan, 2021). Read together, these studies leave a specific Indonesian normative question unresolved: how should the statutory guarantee be translated into a verifiable procurement condition, a set of obligations binding only on parties that have assumed them, and proportionate remedies when a supplier-state measure interrupts support? The present article addresses that gap by testing the provisions against six legal-certainty indicators and by distinguishing public, contractual, and intergovernmental obligations.

Against this background, this study has two objectives and research questions. First, it examines the legal nature, addressees, scope, and enforceability of the guarantee required in foreign procurement of MWS under Indonesian law: which actors are legally bound, and what legal consequences follow from the procurement requirement? Second, it formulates preventive and remedial protection when a supplier state imposes export restrictions after procurement: what risk-assessment, contractual, intergovernmental, and dispute-resolution mechanisms can protect Indonesia without purporting to bind a foreign sovereign unilaterally? The two questions are addressed sequentially in the following discussion.

B. RESEARCH METHOD

This study employs normative legal research (doctrinal legal research), focusing on legislation, legal principles, and legal doctrines concerning guarantees against potential embargoes in the foreign procurement of major weapons systems (MWS). It uses statutory, conceptual, and historical approaches. The statutory approach examines Law No. 16 of 2012 on the Defence Industry, particularly Article 43(5)(d); Minister of

Defence Regulation No. 16 of 2019, as amended by Minister of Defence Regulation No. 14 of 2020 and Minister of Defence Regulation No. 22 of 2025; and regulations concerning countertrade, local content, and offsets. The regulatory review uses the official texts and amendment instruments to identify each provision expressly amended, deleted, or left unchanged, with particular attention to Articles 76 and 80. Secondary scholarly materials were selected primarily from 2016–2026, while earlier foundational materials were retained where necessary to explain the historical embargo experience or the development of the relevant legal doctrine. The selection criteria were direct relevance to arms restrictions, Indonesian defence procurement, supply-chain dependence, technology transfer, international commercial contracts, force majeure, and legal certainty.

The United States Arms Export Control Act and International Traffic in Arms Regulations are used as a limited illustration of one supplier jurisdiction, not as a full comparative-law study or a basis for generalising to all exporting states. The United States was selected because of its 1999 restrictions on transfers to Indonesia and examples of procurement support involving US-origin systems and components. The limited examination concerns the legal authority to control defence exports, licensing, end-use restrictions, and re-export or retransfer approval. It does not compare the entire US legal system with Indonesian law. The conceptual approach examines legal certainty, legal protection, risk allocation, contractual liability, and force majeure; the historical approach considers Indonesia's experience with arms embargoes and its relevance to present lifecycle dependence. Primary legal materials include Indonesian legislation, United States law, the Indonesian Civil Code, the UN Charter, and the Law on International Treaties. The UNIDROIT Principles of International Commercial

Contracts and the ICC Force Majeure and Hardship Clauses 2020 are treated as non-legislative soft-law/model instruments: they bind the parties only where selected as applicable rules or incorporated into the contract, and otherwise serve as doctrinal drafting benchmarks. Secondary materials comprise books and scholarly journal articles on embargoes, defence procurement, supply-chain dependence, defence-industrial independence, technology transfer, and international contract law.

Materials were collected through library research using official legal databases and scholarly publications. They were analysed qualitatively in six stages: defining the MWS subset within the broader statutory category of Alpalhankam; mapping the relevant provisions and the 2020 and 2025 amendments; interpreting Article 43(5)(d) and Article 80(1)(d) grammatically, systematically, and teleologically; testing the provisions against six legal-certainty indicators (subject, object, compliance standard, procedure, duration, and legal consequences); distinguishing administrative obligations, contractual obligations, and state commitments; and applying force-majeure and dispute-resolution principles to formulate preventive and remedial standards. The analysis is descriptive-analytical and prescriptive, but proposed procedures and deadlines are expressly identified as recommendations rather than existing statutory requirements.

C. RESULTS AND DISCUSSION

1. The Legal Status of Guarantees Against Potential Embargoes in the Foreign Procurement of Major Weapons Systems under Indonesian Legislation

The foreign procurement of MWS is a strategic policy that forms part of the State's responsibility to defend its sovereignty and territorial integrity. Although procurement is carried out through contractual relationships with

foreign suppliers, the subject matter differs from ordinary commercial goods because the operational continuity of MWS is directly related to national defence interests. For this reason, the guarantee against potential embargoes should be understood as a legal-protection mechanism addressing risks over the system's lifecycle, not merely the risk that the initial delivery will be interrupted.

The principal legal basis is Article 43(5)(d) of Law No. 16 of 2012 on the Defence Industry. In its entirety, the provision requires "jaminan tidak adanya potensi embargo, kondisionalitas politik dan hambatan penggunaan Alat Peralatan Pertahanan dan Keamanan dalam upaya mempertahankan kedaulatan negara, keutuhan wilayah Negara Kesatuan Republik Indonesia, dan keselamatan segenap bangsa dari ancaman dan gangguan terhadap keutuhan bangsa dan negara" [a guarantee against potential embargoes, political conditionalities, and obstacles to the use of Defence and Security Equipment in efforts to defend State sovereignty, the territorial integrity of the Republic of Indonesia, and the safety of the people from threats and disturbances to the integrity of the nation and State]. The three elements are related but distinct: an embargo concerns restrictions on trade with a country; political conditionality concerns the attachment of political requirements to supply or support; and an obstacle to use may include export-licence, end-use, re-export, component, software, maintenance, or technical-support restrictions that materially impede lawful defence use. The guarantee is one of the statutory conditions for foreign procurement, alongside domestic-industry participation, technology transfer, countertrade, local content, and offsets (Republic of Indonesia, 2012, Art. 43(5)(b)–(g)).

Grammatically, Article 43(5)(d) places the guarantee among mandatory conditions for procurement of foreign Alpalhankam. Systematically, it appears alongside requirements designed to reduce foreign dependence and build domestic industrial capability. Teleologically, it seeks to prevent procurement decisions from leaving Indonesia exposed to uncontrolled interruption of equipment use. The phrase "guarantee that there is no potential embargo" cannot, however, be read as giving an Indonesian procurement authority or a private supplier power to ensure that a foreign sovereign will never alter its export policy. Such a reading would impose an outcome beyond the legal control of those actors and would disregard the supplier state's public authority. The more coherent interpretation is that the procurement authority must obtain a substantiated guarantee package before proceeding: the supplier must disclose and manage risks within its control, the contract must allocate support and mitigation duties, and any state commitment must rest on the state's own consent. This interpretation preserves the mandatory character of the statutory requirement without treating it as an extraterritorial command to a foreign government.

The implementing framework is Article 80(1)(d) of Minister of Defence Regulation No. 16 of 2019 on the Implementation of Defence and Security Equipment Procurement within the Ministry of Defence and the Indonesian National Armed Forces. The regulation implements the foreign-procurement conditions in Article 43 of Law No. 16 of 2012 within the procurement governance of the Ministry of Defence and the TNI; it cannot expand the territorial reach of the statute or bind a supplier-state government without consent. The principal regulation was amended by Minister of Defence Regulation No. 14 of

2020 and, subsequently, by Minister of Defence Regulation No. 22 of 2025. The amendment texts must be examined provision by provision rather than assuming that every article was modified (Republic of Indonesia, 2019, Art. 80(1)(d); Republic of Indonesia, 2020; Republic of Indonesia, 2025).

The amendment history confirms that Article 80(1)(d) and Article 76 were not amended by either relevant amendment instrument. Minister of Defence Regulation No. 14 of 2020 amended several provisions of the 2019 regulation, including provisions in Article 1 and other procurement-governance articles, but did not amend Articles 76 or 80. Minister of Defence Regulation No. 22 of 2025, which was stipulated on 7 November 2025 and promulgated and effective on 27 November 2025, amended Article 1 point 3, deleted point 48, amended Articles 7, 10, 47, and 51, and deleted Article 11. Its amendment list does not include Articles 76 or 80. The current text of Article 80(1)(d) therefore continues to require the foreign procurement process to include the guarantee against potential embargoes, political conditionalities, and obstacles to use; Article 76 continues to provide for contract-dispute resolution. This conclusion is limited to the amendments examined and the official regulatory status available as of the date of this study (Republic of Indonesia, 2020; Republic of Indonesia, 2025).

The definitions of “Embargo” and “Keadaan Kahar” in Article 1 of the amended procurement regulation provide conceptual boundaries for interpreting the procurement regime; they should not be described as concepts newly created by the 2025 amendment. The 2025 instrument re-enacts Article 1 while making specified changes to that article and to other provisions. The definition of embargo describes a partial or complete prohibition of commercial dealings or trade with a

particular country, while the definition of Keadaan Kahar concerns circumstances outside the parties' will and not reasonably foreseeable. These definitions help distinguish a trade-restrictive measure from a possible contractual excuse for non-performance. They do not mean that every export restriction automatically constitutes force majeure, nor do they alter the separate legal tests under the governing contract law (Republic of Indonesia, 2019, Art. 1; Republic of Indonesia, 2020; Republic of Indonesia, 2025).

The guarantee has three legal dimensions that must be kept separate. First, it is a public-law procurement condition: Indonesian procurement authorities must ensure that the statutory requirement has been substantively addressed in the procurement documents. Second, it may be translated into private-law obligations: a foreign supplier is bound by the delivery, licensing, notification, continuity-of-support, mitigation, and repayment obligations that it has undertaken in the contract, subject to the chosen governing law. Third, a supplier-state government may undertake commitments only through a separate instrument to which it has validly consented. A domestic Indonesian regulation does not, by itself, create an international obligation for that government.

The distinction also identifies what counts as adequate evidence of compliance. A supplier's general letter stating that an embargo will not occur is not, on its own, proof that the future policy of a sovereign state is controlled. It may form part of the guarantee package if it identifies the legal supplier, the authority of the signatory, the equipment and support covered, the duration, applicable export licences, known third-country components, and the remedies assumed by the supplier. A parent-company guarantee may secure obligations of

a subsidiary if properly executed; a bank guarantee may secure a defined monetary recovery but does not itself ensure continuing maintenance; and an intergovernmental commitment is relevant only where the state's authorised representative has undertaken a legally cognisable obligation. The law does not specify a single mandatory instrument, and this is a central source of uncertainty.

The legal-certainty analysis draws on the idea that certainty is a distinct legal value and must be assessed through the clarity and practical operation of the norm, not merely its existence (Manullang, 2022; Tan, 2021). For this study, the norm is tested against six operational indicators: (1) subject, meaning who must act; (2) object, meaning which systems, components, and services are covered; (3) compliance standard, meaning what evidence is sufficient; (4) procedure, meaning who reviews the evidence and at what procurement stage; (5) duration, meaning how long the guarantee continues; and (6) legal consequences, meaning what happens before and after contract formation. Article 43(5)(d) and Article 80(1)(d) clearly establish the mandatory procurement objective and identify the general object of protection, but they do not specify the guarantor, detailed coverage, measurable standard, dedicated verification procedure, support period, or tailored remedies. The provisions therefore provide a clear policy direction but incomplete operational legal certainty.

The need for this interpretation becomes clearer when Indonesian law is considered alongside the export-control framework of a supplier state. The United States authorises its Government under the Arms Export Control Act, particularly 22 U.S.C. § 2778, to control the export of defence articles and services through licensing and restrictions based on national security and foreign policy. A

procurement contract between Indonesia and a US supplier does not, by itself, remove the US Government's authority to impose restrictions under its domestic law. This example illustrates the limits of supplier-company undertakings; it is not a finding that every supplier jurisdiction has an identical legal regime (United States of America, 1976, 22 U.S.C. § 2778(a)(1)).

A related distinction appears in the International Traffic in Arms Regulations (ITAR), particularly 22 C.F.R. § 123.9, which regulates approval requirements for the re-export or retransfer of certain defence articles to another party or destination. The rule is not a blanket embargo against the recipient state. Its relevance is that a platform or component already delivered to Indonesia may remain subject to the licensing jurisdiction of the country of origin when it is transferred, re-exported, or retransferred. The legal risk must therefore be assessed at component level as well as at the level of the prime contractor (U.S. Department of State, 2025, 22 C.F.R. § 123.9).

Section 2778 of Title 22 of the United States Code authorises the United States Government to control defence exports and related services through licensing and other restrictions. By contrast, 22 C.F.R. § 123.9 primarily concerns approval for the re-export or retransfer of defence articles to another party, destination, or end-user. A retransfer restriction is not identical to an embargo against Indonesia, and a licence requirement does not mean that a licence has already been refused or revoked. This distinction is material where a procurement contract includes components originating in third countries: a component may remain subject to its country of origin's export-control regime even when the prime contract is concluded with a supplier in another jurisdiction. Risk

assessment must therefore identify component origin, controlling jurisdiction, licence status, permitted end-users, and the possibility of a lawful suspension or revocation of authorisation.

The supplier company's ability to perform contractual obligations must also be distinguished from its home government's authority to determine export policy. A company may undertake to supply spare parts or technical support but may be legally unable to export a controlled component after its government refuses or revokes a required licence. Conversely, the company may remain responsible where the obstacle results from its failure to apply for a licence, disclose a known restriction, maintain a licence it undertook to maintain, or notify the buyer as required. A guarantee issued solely by a supplier company therefore needs to be assessed against its actual control over the relevant licences and the risk-allocation terms in the contract.

Research by Matthews and colleagues identifies dependence on foreign suppliers as one of the challenges facing Indonesia's defence procurement strategy. Basundoro and Sanjaya explain that the experience of embargoes influenced Indonesia's strategy of diversifying weapons suppliers, particularly in naval procurement. These findings confirm that embargo risk is a practical consideration in defence policy. However, diversification does not fully resolve legal-certainty concerns where each supplier state maintains its own export restrictions and where a particular MWS is dependent on manufacturer-specific parts or software (Matthews et al., 2025; Basundoro & Sanjaya, 2025).

Empirical findings must nevertheless be used proportionately. Evidence that an embargo changes import patterns or prompts supplier adjustment does not

establish that diversification is available for every type of MWS. Highly specialised systems may rely on ecosystems of spare parts, software, training, and maintenance tied to particular manufacturers or jurisdictions. Studies of defence supply chains and engineer-to-order projects explain the complexity of supplier integration and inter-organisational dependence (Aspeteg et al., 2025; Hellberg, 2026; Kleczka et al., 2024). Indonesian acquisition and offset research likewise identifies diversification and domestic industrial capability as relevant policy responses, but these measures need to be supplemented by enforceable contract terms and a clear domestic procurement standard (Maharani & Matthews, 2023; Matthews et al., 2025).

An embargo guarantee must not be confused with bid security, performance security, advance-payment security, or maintenance security. Those instruments ordinarily secure a defined tender, payment, or performance obligation and may provide a monetary recovery when specified claim conditions are met. An embargo guarantee instead addresses public-policy risk and the continuity of MWS operation and support. Its issuer may be a supplier, a parent company, a bank, or—only through a separate consensual instrument—a supplier-state authority; its beneficiary is the Indonesian procurement user; its trigger may be a threatened or actual export restriction or interruption of critical support; and its recovery may include lawful replacement, repayment for unperformed support, or damages where liability is established. A bank guarantee can secure a specified amount but cannot itself guarantee that spare parts or technical support will remain available.

Accordingly, acceptable compliance should be assessed by substance rather than by the document's label. A supplier undertaking should identify the legal entity assuming the obligation and its authority, the system and critical components covered, the support period, applicable licences, notification and mitigation duties, and the available remedies. A performance bond may supplement the arrangement for a defined financial risk, but it is not a substitute for lifecycle-support obligations. A state-issued letter or memorandum is not evidence of a binding sovereign guarantee unless its substance, issuing authority, consent, and legal effect establish that the state intended to assume an obligation. Procurement documents should record which of these functions each instrument performs and should not treat them as interchangeable.

On this basis, a guarantee against potential embargoes is a mandatory and preventive legal requirement in foreign procurement under Article 43(5)(d) of Law No. 16 of 2012 and Article 80(1)(d) of Minister of Defence Regulation No. 16 of 2019, as amended. Its protective strength depends on how it is translated into procurement documents and contract obligations. Failure to address the requirement before contract formation may raise administrative-compliance issues for the Indonesian procurement process. It does not automatically invalidate the contract or establish a criminal offence. The legal consequence must be determined by the norm breached, the actor responsible, the stage of procurement, and the terms of any contract concluded.

The consequences should therefore be classified into three categories. First, before contract signature, an inadequate or missing guarantee package may require clarification, correction, or deferral of the procurement decision under the

applicable administrative procedure; any administrative responsibility attaches to the Indonesian officials or institutions subject to that procedure. Second, after contract signature, a supplier's failure to perform an express undertaking—such as to maintain a licence within its control, disclose a restriction, give notice, provide an agreed alternative, or repay for unperformed support—may constitute contractual non-performance under the governing law. Third, where performance is prevented by a sovereign export prohibition, liability cannot be presumed: the contract, causation, foreseeability, risk allocation, available mitigation, and any applicable force-majeure defence must be assessed. Criminal liability is not a consequence of the embargo itself and would require a separate offence and proof of its elements; it is not part of the present contractual analysis.

2. The Construction of Legal Protection for Indonesia Against the Risk of an Embargo Imposed by a Supplier State After MWS Procurement

Legal protection against MWS embargo risks must take account of the fact that export-control authority generally rests with the supplier state. The Indonesian Government cannot impose its domestic procurement law on another state merely by relying on Article 43(5)(d). Protection therefore cannot be achieved solely by requiring a declaration that an embargo will not occur; it must be supported by procurement review, contractual duties that a supplier can lawfully perform, and a separate intergovernmental commitment where a state is willing and legally able to assume one.

Legal protection should be developed through two complementary approaches: preventive and remedial protection. Preventive protection is intended to identify and reduce the risk of disruption from needs planning through contract

formation and the support period. Remedial protection concerns accountability, lawful alternative performance, recovery of losses, and dispute resolution when an agreed obligation cannot be performed. The measures must be proportionate to the source of the restriction and must not require a party to breach mandatory export-control law.

Preventive protection should begin with an assessment of the supplier state's export-control system and the jurisdictions governing critical components. The Government should examine the possibility of embargoes, export-licence refusal or revocation, end-use requirements, re-export restrictions, and limits affecting maintenance, software, or technical assistance. An MWS purchased from one country may incorporate components manufactured in another country, creating additional risks that are not apparent from the relationship between the Indonesian buyer and the prime supplier. The assessment should distinguish restrictions already in force, risks reasonably foreseeable at contract formation, and later sovereign measures that may qualify as genuine impediments.

Risk assessment should begin during needs planning, be updated before contract signature, and continue throughout the agreed support period. A minimum risk dossier should identify the principal supplier and its country of origin; the system and critical component list; third-country origins and relevant export-control jurisdictions; required export, re-export, and end-use licences; software and technical-support dependencies; the expected maintenance and spare-parts period; known political or regulatory conditions; realistic alternative sources; technical compatibility and certification requirements; and the time and cost of substitution. The dossier should also record the supplier's disclosures, the

evidence supporting the availability of licences, and the consequences of a restriction. This turns risk assessment into a verifiable procurement document rather than a general assertion that a supplier state is reliable. The need to manage dependence and strengthen supply-chain resilience is also emphasised in recent research (Aspeteg et al., 2025; Hellberg, 2026; Kleczka et al., 2024).

The assessment should be incorporated into the procurement agreement through a guarantee and continuity-of-support clause. At a minimum, the clause should identify the equipment, critical components, software, technical data, spare parts, maintenance, training, and support services covered; state the duration of the obligation; require the supplier to maintain licences for which it is responsible; allocate responsibility for third-country components; and establish notice and consultation procedures if an export policy or licence changes. It should also identify which restrictions are expressly accepted as risks, which events may excuse performance, and what alternatives or recovery rights apply if support cannot continue.

For the clause to be enforceable, it should establish the supplier's precise obligations rather than promise control over a foreign sovereign. The supplier should disclose known licensing conditions, apply for and maintain authorisations within its responsibility, notify the buyer promptly of a threatened or actual restriction, cooperate in lawful mitigation, and offer a technically acceptable and legally authorised alternative where available. The buyer should provide accurate end-user and end-use information and refrain from unauthorised transfer. If lawful support cannot be delivered, the contract should provide for an agreed extension, replacement of components, repayment for unperformed obligations, partial

termination, or damages where contractual liability and loss are proved. Any indemnity must be limited by applicable mandatory law and the parties' valid allocation of risk.

A contractual clause cannot be treated as an absolute guarantee that an embargo or export restriction will never occur. A supplier may be legally prohibited from exporting a controlled item after a sovereign decision. The contract should therefore include a specific allocation-of-risk and remedy framework in addition to any general force-majeure clause. The proposed allocation matrix below links the trigger, responsible party, notice, mitigation, and recovery. The notification periods are illustrative contractual benchmarks proposed by this study; they are not deadlines already prescribed by Indonesian legislation.

Table 1
Proposed risk-allocation matrix for embargo and export-control events

Risk / trigger	Responsible party and notice	Mitigation / alternative supply	Remedy/recovery
Early warning or proposed policy change	Supplier informs the buyer/PPK within five working days after becoming aware; buyer records the notice and requests supporting details.	Jointly assess licence exposure, affected components, stock levels, and lawful alternatives; update the risk dossier and support plan.	Corrective action plan and agreed temporary schedule adjustment; no automatic release from unrelated obligations.
Licence refused, suspended, or revoked	Supplier promptly provides the formal decision and reasons; proposed benchmark: notice within two working days after receipt.	Seek review or an exception where lawful; identify an authorised alternative source or component; do not reroute or re-export without approval.	Liability where the supplier failed to obtain or maintain a licence it assumed responsibility for; otherwise assess temporary suspension, repayment, or termination of affected work.

Risk / trigger	Responsible party and notice	Mitigation / alternative supply	Remedy/recovery
Restriction affects a critical component, software, repair, or service	Prime supplier discloses component origin and sub-supplier restrictions; both parties update the component and licence register.	Use only licensed repair or substitute channels; provide permitted technical data and support; test compatibility and safety before substitution.	Replacement, pro-rata repayment for unavailable support, or partial termination; damages require proof of breach, causation, and loss.
Complete legal prohibition or applicable UN embargo	Both parties comply with the prohibition; supplier gives immediate notice and documentary evidence of the legal impediment.	Suspend only the prohibited performance; consult on lawful exceptions or alternatives; no party is required to violate mandatory export-control or sanctions rules.	Agreed extension if temporary; repayment for undeliverable items/services; termination of the affected scope if the contract purpose cannot be achieved, subject to the governing law.

Source: Author's work (2026)

A central issue in remedial protection is the operation of force majeure. Under Articles 1244 and 1245 of the Indonesian Civil Code, a debtor may avoid liability for damages where it proves that non-performance or delay resulted from an unforeseeable event that cannot be attributed to it; Article 1245 addresses the case in which force majeure or a fortuitous event prevents the debtor from giving or doing what was promised, or from doing what it was prohibited from doing. The relevant inquiry therefore includes the existence of an impediment, its causal connection to the specific non-performance, whether it was beyond the debtor's responsibility, and whether the debtor could reasonably have avoided or overcome it. The Civil Code provisions do not themselves set a detailed notification timetable; notice and mitigation duties should therefore be expressly addressed in the contract. Their application also depends on the law chosen by the parties for the cross-border agreement (Republic of Indonesia, n.d., Arts. 1244–1245).

Article 7.1.7 of the UNIDROIT Principles of International Commercial Contracts (2016), the latest official edition, provides a useful doctrinal benchmark. It addresses an impediment beyond the party's control, whether the impediment could reasonably have been taken into account when the contract was concluded, whether it or its consequences could have been avoided or overcome, the temporary character of an impediment, and timely notice. These elements overlap with the concerns underlying Articles 1244–1245 of the Indonesian Civil Code, but the UNIDROIT Principles are not Indonesian legislation and do not bind the parties merely because an article cites them. They apply as contractual rules if the parties select them where legally permissible, or as incorporated contractual terms; otherwise, they may be used only as persuasive guidance in interpreting and drafting the contract (UNIDROIT, 2016, Art. 7.1.7).

An export ban imposed after contract formation may constitute a force-majeure impediment if it is genuinely beyond the supplier's control, could not reasonably have been anticipated, directly prevents the affected performance, and cannot be avoided or overcome through lawful measures. It does not automatically excuse a supplier that failed to apply for a required licence, concealed a known restriction, allowed an authorisation to lapse despite undertaking to maintain it, or accepted a clearly identified export risk in the contract. Where performance remains possible but a regulatory change makes it fundamentally more onerous, the parties may separately consider a hardship or renegotiation mechanism, if provided by the governing law or their agreement. The embargo guarantee and force-majeure clause must therefore be read together: the former identifies and

allocates risks at procurement; the latter determines the consequences of a specific impediment after it occurs (Natarajan, 2022; UNIDROIT, 2016).

The ICC Force Majeure and Hardship Clauses 2020 provide model provisions for international contracts, including a general force-majeure formula and options for hardship, renegotiation, adaptation, or termination. The ICC expressly states that its model clauses are intended to apply to contracts that incorporate them expressly or by reference. They are not statutory rules and should not be treated as automatically included in an Indonesian defence-procurement contract. If adopted, the parties should specify whether the long or short form applies and reconcile it with the contract's governing law, the Civil Code provisions where relevant, the export-control obligations, and any specific MWS continuity clause (International Chamber of Commerce, 2020; Natarajan, 2022).

Remedial protection may be implemented through mechanisms addressing failures to perform contractual obligations. These may include lawful replacement components, technical support through authorised alternative sources, repayment for unperformed obligations, or damages in accordance with the agreement and applicable law. Each remedy should be linked to a defined trigger, the affected part of the contract, evidence of the loss, the supplier's ability to mitigate, and any applicable exemption. The contract should avoid a remedy that would require an illegal export, re-export, repair, or transfer.

Remedies must be differentiated according to the source of non-performance. If the supplier breaches an obligation within its control—for example, failing to apply for a licence it undertook to obtain, failing to maintain

an authorisation, withholding information, or failing to give agreed notice—the buyer may seek contractual remedies under the governing law. If a sovereign prohibition genuinely prevents the affected performance, proportionate measures may include temporary suspension, a limited extension, lawful alternative supply, repayment for the part that cannot be performed, or termination if the contract purpose can no longer be achieved. Damages require proof of the legal basis of liability, actual loss, causation, and the absence of a valid ground for exemption. Claims procedures should specify notice, supporting documents, mitigation, liability caps, and exceptions for intentional misconduct or gross negligence.

In addition to the contractual relationship with a supplier company, Indonesia may seek support from the supplier-state government. The legal effect of a political statement, memorandum of understanding (MoU), and international agreement must be assessed by substance and context, not by title alone. Under Article 1(1) of Law No. 24 of 2000, an international agreement is an agreement in a particular form and name, governed by international law, made in writing, and creating public-law rights and obligations. The analysis should therefore consider the intention to create legal effects under international law, the authority of the state representatives, the text and form of the instrument, and the applicable procedures for consent, ratification, approval, and entry into force. The distinction between formal treaty obligations and simplified intergovernmental arrangements is also recognised in international legal scholarship (Bantekas, 2022; Republic of Indonesia, 2000, Art. 1(1)).

A political statement or non-binding MoU may support consultation and policy coordination but should not be treated as an enforceable sovereign

guarantee unless its wording and legal context establish that intention. A supplier-state commitment is not an assumption that can be relied upon in every procurement. Where the state is willing to undertake a binding obligation, the instrument should identify the parties, authorised signatories, systems and services covered, duration, consultation and notification procedures, permitted exceptions, and dispute-settlement mechanism, and should comply with the relevant domestic and international procedures. Even a binding agreement cannot be drafted as if the supplier state had waived every future export-control power or could disregard other binding obligations. Its realistic function is to establish agreed consultation and continuity arrangements within the limits of the parties' legal authority.

Article 76 of Minister of Defence Regulation No. 16 of 2019 addresses disputes under the procurement contract between the Commitment-Making Official (PPK) and the supplier. It provides for contract-dispute resolution services, arbitration, or resolution through the courts, and states that the contract-dispute resolution service is organised by the Government Procurement Policy Agency (LKPP). The 2020 and 2025 amendment instruments do not amend Article 76. The provision concerns disputes arising from the contract; it is not an interstate dispute-settlement clause and does not confer jurisdiction over a supplier-state government that is not a party to the contract. An arbitration agreement must be made in writing under Article 4 of Law No. 30 of 1999, and the contract should identify the governing law, arbitral institution or rules, seat, language, number and appointment of arbitrators, interim measures, and

enforcement arrangements (Republic of Indonesia, 2019, Art. 76; Republic of Indonesia, 1999, Arts. 4, 65–67).

The choice of forum must be matched with a realistic enforcement analysis. Under Articles 65–67 of Law No. 30 of 1999, recognition and enforcement of an international arbitral award in Indonesia are subject to statutory conditions, including the competent court, the relevant treaty basis, commercial subject matter, public order, registration, and the required exequatur. Where the Republic of Indonesia is a party to the dispute, Article 66(e) provides a distinct exequatur route through the Supreme Court before execution through the Central Jakarta District Court. If a foreign government is made a party, jurisdictional immunity and immunity from execution must be assessed separately; a contractual arbitration clause does not, by itself, make public assets available for enforcement. An award against a supplier company likewise cannot order a non-party government to withdraw a sovereign export restriction. Contractual proceedings should address notification, mitigation, replacement, repayment, or damages, while state-to-state concerns require diplomatic or other international-law mechanisms with a valid jurisdictional basis.

Protection against embargo risks should also be supported by stronger domestic defence-industry capabilities. Article 43(5) of the Defence Industry Law links foreign procurement to domestic-industry participation and technology-transfer obligations. Minister of Defence Regulation No. 6 of 2024 further regulates countertrade, local content, and offsets in foreign procurement of Alpalhankam. These instruments may direct procurement cooperation towards improved maintenance, repair, component production, and technical capabilities.

However, offset and technology transfer should be treated as mechanisms for reducing dependence over time, not as an automatic legal remedy for every export restriction (Maharani & Matthews, 2023; Republic of Indonesia, 2012, Art. 43(5)(b)–(c); Republic of Indonesia, 2024).

Technology transfer, offsets, and local content do not automatically confer the right to manufacture, modify, repair, or re-export components protected by intellectual-property rights or export licences in the country of origin. The relevant agreements should expressly regulate the scope and territory of licences, duration and permitted uses, maintenance and repair rights, access to technical documentation and diagnostic tools, training, source-code or data access where legally permissible, and the right to use or manufacture specified spare parts. They should also allocate responsibility for obtaining intellectual-property permissions and export authorisations, and clarify restrictions on onward transfer. Without those instruments, an offset obligation may deliver training or industrial participation without granting the legal rights needed to maintain a particular MWS independently (Sudiro et al., 2025).

The analysis therefore supports a layered model of protection rather than an absolute guarantee against sovereign action. At the public-law level, the procurement authority should verify an evidence-based risk dossier and the substantive adequacy of the guarantee before contract formation. At the private-law level, the contract should allocate export-control risks and require continuity of support, timely notice, lawful mitigation, alternative performance where possible, and proportionate remedies. At the intergovernmental level, any supplier-state support must be grounded in a separate instrument showing valid

consent and legal effect. These layers make the guarantee more measurable while respecting the sovereign export-control powers of supplier states.

To operationalise this model, the Government should adopt implementing standards through an amendment or technical guideline under Minister of Defence Regulation No. 16 of 2019, as amended, together with standard contract clauses. The standard should specify the minimum content of the risk dossier: supplier and guarantor identity and authority; covered systems, components, software, and services; support duration; export-control and end-use licences; third-country component origins; known restrictions; notice and mitigation duties; lawful alternatives; exceptions; proof of loss; and available recovery. The procedure should identify the responsible procurement officials and technical and legal reviewers rather than assuming that a foreign supplier-state agency is already bound. As a proposed allocation, the PPK and contract team would compile the dossier and draft obligations within their procurement functions; technical and legal reviewers would test component, licensing, and enforceability evidence; and the authorised procurement authority would approve the residual risk before award. Inadequate documents should be returned for clarification or correction, and procurement should not proceed to contract signature until the statutory condition is substantiated. After signature, compliance should be monitored during contract performance and at least annually during the agreed support period, with an additional review whenever a relevant export-control rule or licence changes. These are proposed implementation arrangements, not a claim that the current regulation already assigns a dedicated embargo-guarantee reviewer. KKIP's role under Article 43(3) in the proposal route for foreign

procurement should likewise not be equated with a guarantee that a foreign sovereign will maintain its export policy (Republic of Indonesia, 2012, Art. 43(3)–(5); Republic of Indonesia, 2019; Republic of Indonesia, 2025).

D. CONCLUSION

In answer to the first research question, the guarantee required by Article 43(5)(d) of Law No. 16 of 2012 and Article 80(1)(d) of Minister of Defence Regulation No. 16 of 2019 is a mandatory preventive condition within the Indonesian foreign-procurement process. It binds the Indonesian public procurement process and its responsible actors; it does not, merely by force of domestic law, bind the supplier-state government. A foreign supplier becomes contractually accountable for obligations it has expressly assumed under the contract and its governing law, while a supplier-state commitment requires a separate instrument based on valid state consent. The six-indicator assessment shows that the statutory objective is clear but the current provisions do not fully specify the guarantor, detailed coverage, compliance evidence, verification procedure, duration, or tailored consequences. The 2020 and 2025 amendments did not alter Articles 76 or 80; the 2025 amendment took effect on 27 November 2025 and did not convert the procurement guarantee into an extraterritorial obligation.

In answer to the second research question, legal protection should combine preventive risk assessment with contractual and, where available, intergovernmental safeguards. Before procurement, the buyer should map system and component origins, export-control jurisdictions, licences, end-use and retransfer restrictions, support dependencies, and lawful alternatives. The contract should specify the supplier's licensing, notification, mitigation, and continuity-of-support duties and provide

proportionate replacement, repayment, partial termination, or damages where the governing law permits. Force majeure must be determined by the requirements of the chosen law, including Articles 1244–1245 of the Indonesian Civil Code where applicable; UNIDROIT and ICC model clauses apply only if selected or incorporated, and otherwise serve as drafting references. Article 76 of the procurement regulation and Law No. 30 of 1999 govern the contract-dispute pathway, not interstate review of a sovereign export decision. Implementing standards and model clauses should therefore clarify the domestic review process and evidentiary requirements while preserving the distinction between administrative duties, contractual liability, and international commitments.

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