

DISPUTE RESOLUTION

Geopolitical Disruption and Contract Performance: Key Considerations Under Indonesian Law



In early 2026, escalating tensions between the United States, Israel, and Iran culminated in airstrikes and the closure of the Strait of Hormuz, a critical global shipping route through which roughly one-fifth of the world's oil and liquefied natural gas supply passes. The impact was felt well beyond the region, with immediate effects on energy supply, price volatility, and global shipping flows.

These developments have disrupted supply chains and increased production and logistics costs, raising practical questions for businesses about their ability to perform contractual obligations. In this context, the issue is not whether disruption may occur, but how such disruption is addressed under the applicable law and commercial contracts.

For Indonesian-governed agreements, this raises a specific question: to what extent does Indonesian law address such disruptions, and how far must parties rely on contractual provisions to regulate their consequences?

What Relief Does Indonesian Law Provide for Disruption?

Under Indonesian law, Articles 1244 and 1245 of the Indonesian Civil Code provide limited relief where a party is unable to perform its contractual obligations due to an "event of force" (*keadaan memaksa*) or an "accidental event" (*keadaan yang tidak disengaja*). Where these provisions apply, the affected party may be exempted from liability for costs, losses, and interests arising from the non-performance.

To qualify for this exemption, all the following elements under Articles 1244 and 1245 must be satisfied:

1. The relevant "event of force" or "accidental event" is beyond the non-performing party's will, ability, or control, and is not attributable to that party;
2. The non-performing party did not act in bad faith;
3. The non-performing party is prevented from performing the obligation as a result of the relevant event; and
4. The non-performing party can prove that the obligation could not be performed due to the relevant event.

Where these elements are fulfilled, the non-performing party may be exempted from liability for costs, losses, and interest that would otherwise arise from its failure to perform.

Disruptions in Practice

Across jurisdictions, different legal approaches have developed to address contractual disruption. Some legal systems recognise concepts such as force majeure, frustration, hardship, and material adverse change to address a wider range of circumstances.

In Indonesia, however, as explained above, Articles 1244 and 1245 of the Indonesian Civil Code focus on situations where a party is prevented from performing its obligations due to circumstances beyond its control. In practical terms, a party remains obliged to perform unless it can prove that performance has become truly impossible as a result of such circumstances. If performance remains possible, even if it has become significantly more difficult or costly, the party will generally remain liable for its non-performance.

Accordingly, if the parties wish to obtain protection beyond what is available under Articles 1244 and 1245, that protection must be expressly agreed in the contract. Where a disruption does not meet the threshold under Articles

1244 and 1245, the most practical option is often for the parties to negotiate in good faith to address the changed circumstances.

Practical Considerations

To address disruptions beyond the scope of Articles 1244 and 1245 of the Indonesian Civil Code, parties may consider including tailored contractual provisions, for example, by defining more clearly the types of events that may affect or disrupt performance. Parties can also agree on procedures to be followed when a disruption occurs, including notice requirements, mitigation obligations, and timelines for responding. Moreover, parties may specify the contractual consequences of disruption, which may include suspension of obligations, extensions of time, renegotiation or adjustment of contractual terms, and (where appropriate) termination.

These provisions allow parties to define relevant disruption events more clearly and to agree in advance on their legal and commercial consequences.

Key Takeaways

Geopolitical disruptions are now a common part of the commercial landscape, but relief from contractual liability under Indonesian law remains narrowly defined. Articles 1244 and 1245 of the Indonesian Civil Code generally provide protection only where performance has become truly impossible due to circumstances beyond a party's control, rather than merely more difficult, delayed, or costly.

As a result, the practical impact of disruption will often depend less on the statutory position and more on the terms of the contract itself. Where a disruption does not meet the strict threshold under Indonesian law, parties will need to look to their contractual arrangements to determine whether relief, adjustment, or termination is available.

In this context, parties should promptly review their contracts when disruption occurs and assess whether specific provisions address the situation. From a risk-management perspective, parties entering into new contracts may wish to include tailored force majeure, hardship, or similar provisions to provide greater certainty and flexibility in the event of future disruption.

For regional Dispute Resolution matters, please see Rajah & Tann Asia's [Regional Dispute Resolution Practice](#) for more information.

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