

THE IMPACT OF THE COVID-19 PANDEMIC ON THE IMPLEMENTATION OF COMMERCIAL CONTRACTS REVIEWED IN CIVIL LAW

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Abstract

The COVID-19 epidemic has significantly altered the execution of business contracts, especially with regards to the renegotiation of duties and the use of force majeure. In light of the difficulties brought on by the pandemic, this research examines the ways in which Indonesian civil law, as codified in the Civil Code, deals with matters such as contract modifications. Studying both primary and secondary sources of law is at the heart of the normative legal research methodology. It is frequently necessary to renegotiate contracts in order to modify rights and responsibilities, since the study's findings demonstrate that force majeure does not necessarily apply to all contracts in a pandemic scenario.

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Findings from this research stress the need for more lenient laws to resolve contract disputes in the midst of the epidemic and for more transparent rules to govern the use of force majeure.

Keywords: Force Majeure, Contract Renegotiation, Civil Law

1. Introduction

Worldwide, the execution of business contracts has been profoundly affected by the COVID-19 epidemic. The civil law framework is facing new difficulties as a result of the pandemic, which have an impact on the contractual relationship, particularly with regard to the performance of duties and the exercise of rights.¹ The severe drop in demand for products and services, together with economic limitations and interruptions to the supply chain, has made it difficult for many parties to meet their contractual responsibilities. Concerns over the application of civil law in cases of sudden, unanticipated crises that the parties involved cannot control arise from this.

The fundamental tenet of contract law under the civil law system is that the parties to a legal agreement must honour and uphold that agreement.² A revision of contracts or a temporary escape from duties under the doctrine of force majeure are two examples of the ways in which this exceptional pandemic condition has given birth to exceptions that permit changes. If one party is unable to meet its commitments because of unexpected and extreme circumstances—for example, a worldwide pandemic—the other party may be released from duty under the civil law doctrine of force majeure.³

However, force majeure is not a valid reason to automatically free a party from obligation or cancel a contract. Courts are commonly asked to evaluate whether the COVID-19 pandemic qualifies as an event that exempts the parties from contractual obligation, as many contracts include terms controlling emergencies or uncertainty.⁴ As a result, a more accommodating legal framework is needed for the execution of business contracts throughout the epidemic. Disputes over contracts often need revision in order to reach a compromise that satisfies all parties.

¹ Zamroni Abdussamad, Mohammad Hidayat Muhtar, and Dolot Alhasni Bakung, 'Legal Model for Fulfilling Educational Rights for Persons with Disabilities in the Covid-19 Pandemic Era', *KnE Social Sciences*, 2022, 317–25, <https://doi.org/10.18502/kss.v7i15.12101>.

² Tuti Khairani Harahap et al., 'INTRODUCTION TO LEGAL SCIENCE', Tahta Media Publisher, 30 May 2023, <https://tahtamedia.co.id/index.php/issj/article/view/255>.

³ Dolot Al Hasni Bakung, Mohamad Hidayat Muhtar, and Nabih Amer, 'Comparative Analysis of Legal Policies Regarding Force Major During Covid-19 Pandemic in Indonesia and China', *Batulis Civil Law Review* 3, no. 1 (16 May 2022): 8–18, <https://doi.org/10.47268/ballrev.v3i1.721>.

⁴ Dolot Ahsani Bakung et al., 'The Urgency of Establishing a Legal Entity Issuing Force Majeure Certificates Against Creditor Protection During the Covid-19 Pandemic', *KnE Social Sciences* 7, no. 15 (4 October 2022): 148–56, <https://doi.org/10.18502/kss.v7i15.12086>.

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The concept of *pacta sunt servanda*, which states that the parties must carry out the duties stipulated in the contract, is the foundational legal theory upon which civil law commercial transactions are based. An agreement that is duly executed binds its makers as law, according to the Indonesian Civil Code, which governs this idea.⁵ Articles 1244 and 1245 of the Civil Code govern the inability to meet performance due to force majeure, although the law also acknowledges exceptions in specific instances when one party is unable to fulfil its responsibilities. The idea of force majeure is to absolve the party that is legally committed from liability when it occurs because of unusual circumstances that are beyond their control and cannot be predicted.⁶

The use of the idea of force majeure in this intricate and unexpected circumstance is the primary concern about the execution of business contracts that has arisen as a result of the COVID-19 pandemic. Government restrictions, shortages of products or services, or crippling economic issues have rendered many parties unable to meet their contractual commitments as a result of the epidemic.⁷ Since the terms and circumstances of each contract are unique, force majeure is not a valid excuse to cancel or alter any contract. The question of whether the pandemic qualifies as a genuine force majeure under the contract is often brought before courts since many business contracts specifically address emergency situations or unanticipated occurrences.

The question of whether the pandemic provides a valid excuse to absolve a party from its obligations under a contract is another contentious one. The court should take into account the party's attempts to lessen the pandemic's effect or find other alternatives before requesting that they be released from their contractual duties. Although the pandemic is an exceptional occurrence, the court cannot completely justify all failures to perform contracts. This complicates the interpretation of the law. Concerning the renegotiation of contracts, another issue emerges. As a result of the epidemic, several parties have reviewed their contracts and are looking for reasonable alternatives, such as renegotiating the duration or amount of the agreement. The disparity in interests between those who will be severely and those who will be less impacted by the epidemic makes renegotiation a challenging process.

⁵ Kunarso Kunarso and A. Djoko Sumaryanto, 'The Existence of Agreements Amid the Covid-19 Pandemic', *Batulis Civil Law Review* 1, no. 1 (30 October 2020): 33–46, <https://doi.org/10.47268/ballrev.v1i1.423>.

⁶ Erna Nurhayati, Ersya Tri Wahyuni, and Evita Puspitasari, 'Risks of Toll Road Infrastructure with Public-Private-Partnership (PPP) Scheme in ASEAN: A Literature Review', *Journal of Infrastructure Asset & Facility Management* 5, no. 1 (8 April 2021), <https://doi.org/10.12962/j26151847.v5i1.8743>.

⁷ Niru Anita Sinaga, 'PERSPECTIVE OF FORCE MAJEURE AND REBUS SIC STANTIBUS IN THE INDONESIAN LEGAL SYSTEM', *SCIENTIFIC JOURNAL OF AERONAUTICAL LAW* 11, no. 1 (7 March 2021), <https://doi.org/10.35968/jh.v11i1.648>.

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The parties' interests must be fairly and flexibly balanced, and civil law must be invoked to do just that. First, contracts are a tool that may help keep the economy stable and the law clear. They should be respected. On the other side, the pandemic is a circumstance that makes the parties think twice about their capacity to meet their contractual responsibilities and figure out a solution that doesn't hurt anybody too much.⁸ The dispute resolution system is also impacted by these complicated challenges. Courts and arbitration must find fair and efficient solutions while protecting the rights of the contracting parties to the best of their abilities, all while acknowledging the reality of the situation.

The impact of the COVID-19 epidemic on the execution of civil law business contracts is the primary area of investigation in this paper. This research will look at the pandemic from a legal perspective, specifically at how the idea of force majeure is used and how far an unusual event may be used as an excuse for failure to execute. This research will also look at how commercial contract disputes may be properly handled in uncertain conditions, as well as how civil law permits contract renegotiation and adjustment of responsibilities. This research aims to provide practical answers to legal challenges caused by the pandemic and advance legal knowledge of contract execution during crises by analysing specific instances and relevant rules.

In light of the above, the following is the stated research question: (1) In what ways does the COVID-19 framework influence the execution of civil law responsibilities in commercial contracts, particularly with respect to force majeure and the inability of performance? (2) In light of the COVID-19 epidemic, how may civil law laws be adapted to handle the renegotiation and adjustment of the parties' rights and responsibilities as it pertains to the settlement of commercial contract disputes ?

2. Method

To examine the normative elements of the execution of business contracts in Indonesian civil law, particularly in light of the COVID-19 epidemic, this study used the normative legal research methodology, which centres on literature reviews. Primary legal sources that are pertinent to the application of force majeure and incapacity to perform in unusual events like a pandemic will be examined in this research. These sources include the Civil Code, related statutes and regulations, and court judgements. The investigation will also draw on secondary legal documents

⁸ Reinhard Politon, 'FULFILLMENT OF RIGHTS AND OBLIGATIONS ACCORDING TO THE AGREEMENT OF THE PARTIES IN A CONTRACT REVIEWED FROM THE CIVIL CODE', LEX CRIMEN 6, no. 3 (April 21, 2017), <https://ejournal.unsrat.ac.id/v3/index.php/lexcrimen/article/view/15609>.

such books, scientific papers, journals, and other scholarly works to address the issues that have been presented.

This research aims to address the first issue formulation by examining the use of the force majeure concept in specific circumstances during the COVID-19 pandemic and its effects on the execution of commitments in commercial contracts. By using a normative descriptive tack, this study will chart the pandemic's impact on Indonesian civil law, with a focus on Articles 1244 and 1245 of the Civil Code. Also included in this research will be the criteria that courts employ to determine whether a party's inability to comply due to the pandemic qualifies as a valid basis to relieve them from their obligations.

In order to address the second issue raised, this study will employ a juridical-analytical approach to examine the process of contract renegotiation and adjustment of the parties' rights and obligations in response to the COVID-19 pandemic. The goal is to determine how civil law regulations can alleviate the settlement of commercial contract disputes. This research will look at the ways in which arbitration and court systems deal with disagreements, as well as the ways in which parties might modify their contracts under civil law principles while a crisis is underway. The purpose of this research is to determine whether the civil law system in Indonesia has been sufficiently adaptable to deal with the epidemic and if the resulting legal remedies have been fair to all parties.

3. Discussion

3.1 The Impact of the Covid-19 Pandemic Affects the Implementation of Obligations in Commercial Contracts Force Majeure According to Civil Law

The Indonesian legal system is one of few that recognises the notion of force majeure. When an event happens that neither party could have predicted or prevented, rendering performance of either party's duties under the contract impossible, this is known as force majeure.⁹ The impossibility of carrying out a contractual commitment as a result of unusual circumstances that are not the fault of the party being bound is known as force majeure, according to Subekti, an authority on Indonesian civil law. R. Soeroso shared this view when he defined force majeure as an unforeseen and uncontrollable incident that prohibits an individual from carrying out an endeavour, even when the individual is not at fault.¹⁰

The Civil Code of Indonesia has rules pertaining to force majeure in Articles 1244 and 1245. According to Article 1244, unless the party can establish that the

⁹ Mohammad Omar Alfadil et al., 'Construction Industry from the Perspective of Force Majeure and Environmental Risk Compared to the COVID-19 Outbreak: A Systematic Literature Review', *Sustainability* 14, no. 3 (January 2022): 1135, <https://doi.org/10.3390/su14031135>.

¹⁰ Politon, 'FULFILLMENT OF RIGHTS AND OBLIGATIONS IN ACCORDANCE WITH THE AGREEMENT OF THE PARTIES IN A CONTRACT REVIEWED FROM THE CIVIL CODE'.

unusual circumstances were their fault, they cannot be held accountable for compensation if they are unable to meet contractual duties.¹¹ At the same time, Article 1245 elaborates on the idea that a party might be exempted from its responsibilities without facing fines if unusual circumstances really make their fulfilment impracticable. Both provisions acknowledge that, in the case of unexpected and unavoidable events, force majeure may be used as a legal excuse to escape the need to carry out a contract.

Numerous concerns have been brought to light by the COVID-19 epidemic in relation to the use of force majeure in business contracts. Natural catastrophes, wars, and fires were the main examples of force majeure prior to the pandemic. Commercial contract parties, however, have enormous difficulties in carrying out their duties as a result of the worldwide pandemic's impact on almost every area of life, including the economy. Many contracts have become very difficult, if not impossible, to enforce as a result of operational interruptions, travel restrictions, and company closures caused by government regulations aimed at combating the spread of the virus.

Nevertheless, not every event involving the COVID-19 epidemic may be excused by citing force majeure. The precise nature of an emergency and the scope of "force majeure" are both defined differently in different contracts. When deciding whether a pandemic constitutes force majeure, courts and arbitrators must interpret the relevant contract conditions.¹² To add insult to injury, the party claiming force majeure must often show that it has used all reasonable efforts to meet its commitments notwithstanding the challenging circumstances. It is clear from this that a party cannot be absolved of their responsibilities simply by claiming force majeure; the court must be satisfied with proof before accepting this argument.

The COVID-19 outbreak has effectively become a litmus test for how the Indonesian civil law notion of force majeure is used in reality. With such far-reaching and complicated consequences, the question of whether the epidemic qualifies as a valid force majeure is heating up. Some industries may feel the effects more acutely than others, but there are also others that may adjust to the changing circumstances – for example, by embracing technology and moving their activities online.

There have never been greater obstacles to fulfilling business contracts than those caused by the COVID-19 epidemic. The question of whether the pandemic may be automatically deemed a force majeure in all contracts is one of the primary

¹¹ Mustakim Mustakim and Syafrida Syafrida, 'Covid-19 Pandemic as a Reason for Force Majeure in Terminating Employment in Indonesia', *SALAM: Jurnal Sosial Dan Budaya Syar-I* 7, no. 3 (2020): 695–706.

¹² Waras Putri Andrianti, Budi Santoso, and Mujiono Hafidh Prasetyo, 'Covid-19 Pandemic as Justification for Force Majeure in Business Contracts', *Notarius* 14, no. 2 (31 December 2021): 739–56, <https://doi.org/10.14710/nts.v14i2.43801>.

concerns. The definition of force majeure may differ substantially from one contract to another, despite the fact that it is often acknowledged in contracts as a reason to absolve a party from responsibility in the case of an unforeseen and uncontrolled incident. Force majeure clauses may have been expressly incorporated in certain contracts, exempting parties from liability in the case of certain occurrences like epidemics, natural disasters, or war.¹³ Some contracts may not include pandemics specifically, therefore it's unclear if the COVID-19 pandemic qualifies as a force majeure.

The parties' capacity to modify their contractual duties in light of the pandemic situation is another matter that has come to light. Raw material shortages, supply chain interruptions, and precipitous drops in market demand are just a few of the ways that many businesses and business players have had their operations severely impacted. Because of this, a lot of people have been unable to pay their bills or provide the products and services that were promised in contracts. On the other hand, not every contract performance issue that arose during the epidemic could be attributed to force majeure. Force majeure may not always be an acceptable excuse for a party that is unable to meet its obligations because of technical or financial limitations; this is because courts typically want evidence that the pandemic was the true cause of the failure, not the party's carelessness or lack of effort.

The epidemic also puts the adaptability and flexibility of contract execution to the test. When one party can't pay its bills, the other usually has to renegotiate or change the terms of the contract. Renegotiation, however, is not always a bed of roses, particularly when the parties involved have divergent objectives. The other party may decline to delay or decrease its responsibilities in light of the fact that it is not substantially impacted by the pandemic, in contrast to the party that is directly impacted. Disputes and friction between the parties may result from this circumstance.¹⁴ Particularly in light of the pandemic-related force majeure, courts will often have to decide whether it is acceptable to renegotiate or modify the contract in order to keep the parties' interests balanced.

Meanwhile, several issues are also related to how courts interpret the concept of force majeure amid the pandemic. Because the pandemic is an unprecedented event on a global scale, many courts in various countries have had to create new precedents in interpreting whether Covid-19 falls within the definition of legitimate force majeure. This interpretation process is often complex, as it involves an in-depth

¹³ Sophie Hennekam and Yuliya Shymko, 'Coping with the COVID-19 Crisis: Force Majeure and Gender Performativity', *Gender, Work & Organization* 27, no. 5 (2020): 788–803, <https://doi.org/10.1111/gwao.12479>.

¹⁴ Muhammad Andri (Darul Ulum University Jombang), 'URGENCY OF SHULH IN DIVORCE CASE IN PANDEMIC COVID-19', *Al-Adl: Jurnal Hukum* 13, no. 1 (31 January 2021): 102–15, <https://doi.org/10.31602/al-adl.v13i1.4246>.

analysis of the specific circumstances faced by the parties to the contract, as well as the applicable contractual provisions. In addition, the court must also consider whether the party claiming force majeure has made maximum efforts to fulfill its obligations, despite the challenging conditions of the pandemic.

The inconsistent interpretation of force majeure across countries has also been highlighted by the COVID-19 outbreak. The party claiming force majeure must prove that the fulfilment of its contract is now physically impossible, as courts in Indonesia often have a rigorous interpretation of the term. On the other hand, if the pandemic has had a significant impact on a country's economy, the courts there may be more forgiving in their interpretation of force majeure. Multinational corporations have further challenges as a result of this inconsistency, as they are required to cope with divergent legal interpretations that can affect the continuation of their contracts in several jurisdictions.

A more thorough and unambiguous comprehension of the terms of force majeure in every contract is an essential first step towards resolving the issues with executing business contracts as a result of the COVID-19 epidemic. Disputes often arise because the concept of force majeure is not clearly defined. Thus, it is imperative that the parties take the initiative to review their contracts' terms and, if required, include a force majeure clause that addresses health crises and pandemics. If future situations are comparable, this will provide the parties legal certainty. Renegotiation of this provision may be done as part of responding to new circumstances for contracts that are currently operating and did not foresee the pandemic scenario.

The ability to renegotiate contracts with relative ease is also crucial for keeping disagreements from getting out of hand. As circumstances change, the contracting parties must be amenable to reasonable negotiations about how to modify their respective responsibilities and rights. Delays in shipment, reduced product quantity or quality, and new pricing structures are all possible outcomes of renegotiation. An equitable and win-win strategy is required for the smooth operation of this renegotiation procedure.¹⁵ Everyone involved has to realise that the epidemic is a worldwide problem that impacts the whole economic system, not just one side. As a result, we need a cooperative solution, not one based on force. Alternative conflict resolution methods, such as mediation or arbitration, may provide a more practical compromise than the drawn-out and expensive litigation procedure in such a case.

Stricter rules and regulations concerning the use of force majeure in pandemic situations are required from a legal standpoint. More precise rules for classifying the COVID-19 pandemic or other events as force majeure may be issued by the

¹⁵Serawai, AA (2023). ANALYSIS OF THE IMPLEMENTATION OF THE HARDSHIP PRINCIPLE IN GERMANY AND INDONESIA IN THE URGENCY OF THE COVID-19 PANDEMIC. RECTUM JOURNAL Legal Review of Handling Criminal Acts, 5(3), 232. <https://doi.org/10.46930/jurnalrectum.v5i3.3325>

government and legal authorities. When disagreements emerge between parties to a contract, these rules may help courts and parties understand each other better. Additional conditions for the inability to complete commitments, the burden of evidence, and the measures required of the party asserting force majeure might be included in these rules. As a result, the idea of force majeure cannot be abused, and the affected parties are better protected thanks to these restrictions.

As a result of the epidemic, the legal system, including courts and arbitration organisations, must change the way it handles contract disputes. The worldwide crisis involves many different social, economic, and operational factors; the courts should not base their decisions just on the concept of absolute impossibility. The contractual parties' mitigation efforts, their capacity to adjust to changing circumstances, and the existence of a good faith attempt to discharge duties in a different manner are all variables that might be more thoroughly evaluated to achieve this goal. Courts may set useful precedents for future instances like this with a more accommodating attitude.

In order to tackle the effects of the pandemic on the execution of business contracts, there has to be a more thorough and cooperative strategy including the parties to the contract, the legal system, and regulatory bodies. By working together, we can settle current conflicts and better prepare the justice system to deal with future crises of a similar kind. The business and legal communities can learn a lot from this pandemic about how to make contracts more flexible and responsive to unforeseen circumstances, such as how to quickly and efficiently resolve disputes and how to allow for some leeway in how obligations are carried out.

3.2. Civil Law Arrangements in Accommodating Renegotiation and Adjustment of Commercial Contract Rights and Obligations Due to the Covid-19 Pandemic

Commercial contract implementation has been greatly hindered by the COVID-19 epidemic, which has affected countries like Indonesia. Many of the contracting parties have been rendered unable to perform their duties as per the terms of the agreement due to the unpredictability brought about by the pandemic, which includes interruptions in the supply chain, limitations on economic activity, and diminished buying power. This circumstance necessitates, under civil law, the immediate renegotiation or revision of the contract in order to correct the rights and responsibilities outlined therein. Parties have the opportunity to examine their agreements under Indonesia's civil law system, which is based on the principles of fairness and legal certainty. This is particularly true in exceptional cases like the pandemic.

In cases when the parties are unable to carry out their contractual obligations due to circumstances beyond their control, the Civil Code (KUHPerdata) provides an avenue for remedy under Indonesian civil law regulation. The doctrine of force

majeure is applicable here; it absolves one party from contract duties in the event that extreme and unforeseeable events render fulfilment of the contract impossible.¹⁶ Nevertheless, force majeure isn't always the best option, particularly in the middle of a pandemic. When both parties can still work within the parameters of the contract after making certain adjustments, renegotiation becomes the most practical choice. Due to the pandemic's direct effect on the parties' capacity to meet their responsibilities, Indonesian courts and arbitration institutions have shown flexibility by allowing for the revision of contracts.

The concept of good faith, a cornerstone of all contractual relationships, also underpins contract renegotiation within the framework of Indonesian civil law. All parties are obliged to behave in good faith during a pandemic, whether it's fulfilling duties that may still be met or altering contract conditions that become impossible to execute.¹⁷ Through the use of pricing modifications, agreed-upon adjustments, or the deferral of obligations, the parties are able to collaborate in order to reach a solution that does not unduly hurt one side. So, parties are able to keep their commercial connection going even when things aren't clear thanks to civil law.

The most difficult element of renegotiation, however, is finding an arrangement that works for everyone involved. When one group is more impacted by the epidemic than another, divergent assessments of its effects are normal. Here, civil law and conflict resolution institutions like courts and arbitration step in to settle the parties' disagreements and lay forth a solid legal framework for redistributing their respective rights and responsibilities.¹⁸ Contract changes during the pandemic may be accommodated using the methods provided by Indonesian civil law, which governs contractual duties and their settlement processes, while upholding the ideal of fairness for all parties.

Due to the lack of explicit language addressing exceptional events like a pandemic, renegotiating and adjusting the rights and responsibilities outlined in commercial contracts has become an extremely difficult task in the wake of the COVID-19 outbreak. Force majeure is often vaguely mentioned in contracts without offering specific examples of what constitutes it. Parties lack clear direction on how to modify their contracts in the event of the COVID-19 pandemic, leading to legal confusion. Consequently, although some may believe that the epidemic warrants a

¹⁶ Annisa Adely Serawai, 'ANALYSIS OF THE IMPLEMENTATION OF THE HARDSHIP PRINCIPLE IN GERMANY AND INDONESIA IN THE URGENCY OF THE COVID-19 PANDEMIC', RECTUM JOURNAL: Legal Review of Criminal Act Handling 5 (2023): 3, <https://jurnal.darmaagung.ac.id/index.php/jurnalrectum/article/view/3325>.

¹⁷ Desak Putu Satya Anggarani and Ahmad Zuhairi, 'The Position of Renegotiating Business Contracts During the Covid-19 Pandemic', Commerce Law 3, no. 1 (2023).

¹⁸ Huala Adolf, 'THE IMPACT OF PANDEMIC ON LEGAL SYSTEM: IMPACT ON ARBITRATION LAW', Indonesian Law Journal 13, no. 2 (22 December 2020): 137-50, <https://doi.org/10.33331/ilj.v13i2.28>.

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reduction or suspension of commitments, others may insist that all obligations be met in accordance with the original contract. When it comes time to carry out contractual duties like payment, delivery of products, or performance of services, this disagreement often escalates into a cause of conflict.

Also, when it comes time to renegotiate the terms of a contract, not all parties are on an equal footing. One side may be able to use their financial or commercial might to pressure the other into agreeing to terms that benefit them more. Renegotiation of contracts runs the danger of being used unfairly by the stronger party to get out of their responsibilities or reap disproportionate advantages from the current crisis. Maintaining the good faith required in renegotiations in this setting is often challenging, particularly when the parties concerned have highly competing interests. Acting in good faith is a requirement of Indonesian civil law, but without a robust system of monitoring, it is sometimes impossible to guarantee its execution.

Concerning the interpretation of the COVID-19 rule in relation to contract renegotiations, there is a dearth of clear legal precedent. Because of the fact that arbitrators and courts must often decide cases individually, there may be discrepancies in interpretation across different jurisdictions or even between judges working in the same court. Because of this discrepancy, the parties to the contract are unsure of how a court will decide on a force majeure claim or a renegotiation triggered by the pandemic. However, litigation may often be time-consuming, even if the court rules in favour of one side, adding stress to an already difficult economic climate exacerbated by the epidemic.

Beyond that, the epidemic has shown how inadequate current dispute resolution processes are, particularly when it comes to the adaptability of civil law to handle unexpected and worldwide catastrophes like this one. The legal system has acknowledged the necessity of renegotiation and contract changes, but these processes still require more leeway to address the pressing demands that arise during times of crisis. The parties are unable to swiftly discover workable solutions due to the lengthy and formal procedures involved in mediation, arbitration, or litigation. Unfortunately, Indonesia's present approach of resolving disputes arising from business contracts is woefully inadequate in light of the challenges posed by the COVID-19 epidemic.

Thus, the key issue in handling contract conflicts caused by the pandemic is finding a middle ground between party rights protection and the need for adaptability in revising contract clauses that are either irrelevant or difficult to execute. It is necessary to optimise current legal tools in order to handle the issues that have arisen as a result of the pandemic crisis, and to enhance the function of civil law in delivering substantive justice to the parties involved.

Several integrated methods, including relevant legal concepts and practical demands in the business world, are necessary to resolve challenges relating to the

renegotiation and modification of commercial contracts caused by the COVID-19 epidemic. A crucial first step is to include more thorough provisions on force majeure and other exceptional situations in contracts from the beginning, therefore strengthening their function. The parties should take the initiative to incorporate clauses that specifically address scenarios like a pandemic, which involves both medical considerations and wide-ranging economic effects. As a result, the parties are prepared to renegotiate and change their responsibilities within a defined legal framework in the event of an unforeseen catastrophe.

Renegotiation in good faith is one option for current contracts that do not have sufficient force majeure clauses. For this process to work, all parties involved must be willing to compromise and change their expectations in light of the new reality that the epidemic has brought about. Justice requires that throughout renegotiation, both sides work to mitigate negative effects in an equitable manner, with no side abusing its position to its benefit. To make sure the renegotiation is done openly and equitably, the court or mediation institution might act as a mediator.

In order to address problems with contract renegotiation during the epidemic, it is necessary to optimise alternative dispute resolution processes like mediation and arbitration. Mediation offers an alternative to litigation that is both speedier and more flexible, allowing the parties to potentially achieve a mutually beneficial agreement outside of the lengthy and formal court procedure.¹⁹ By taking into account the needs of both sides, a mediator may assist in mediating a renegotiation of the parties' rights and responsibilities that is situationally appropriate. Furthermore, arbitration may be a viable alternative to formal litigation in instances when mediation fails to provide a legally enforceable conclusion; this process yet retains the flexibility that is characteristic of arbitration.

Conversely, in light of the epidemic, courts should be more accommodating and quick to rule on contract disputes. Judgment in matters of force majeure or contract renegotiation must take into consideration the parties' actual operational and economic losses caused by the epidemic. When deciding on a case, courts should consider not only the technical applicability of force majeure, but also the good faith of the renegotiation attempts and if the contract revisions may be fair to both parties.

To resolve the issue in a fair and equitable manner, the court might make amendments to the contract, such as adjusting the payment conditions or extending the time to complete commitments. The COVID-19 epidemic and its implications for contract law may also be better understood with the help of official pronouncements from governments and courts. In the event of a national emergency, such a pandemic, the government may enact rules that outline the particular steps that parties must

¹⁹ Ronald Saija and Kadek Agus Sudiarawan, 'Legal Protection for Bankrupt Debtor Companies in Facing the Covid 19 Pandemic', *Batulis Civil Law Review* 2, no. 1 (31 May 2021): 19, <https://doi.org/10.47268/ballrev.v2i1.474>.

take when renegotiating contracts. Fair renegotiation, which takes into consideration the effects on each party and leaves room for maneuver in the contract's execution, might be a goal of these rules. Since the parties will have more precise instructions on how to modify their contractual duties, this may also help keep needless lawsuits out of court.

Dealing with contract conflicts caused by the epidemic will need a long-term change in the way businesses and the legal system see contractual agreements. These days, contracts aren't just paperwork that must be followed to the letter; they're tools that may change and evolve in response to the world around them. The parties may better negotiate the obstacles that arise from a crisis like the pandemic while still ensuring justice and legal certainty by taking a more pragmatic and flexible approach, considering both the legal and commercial aspects. In light of what we've learned from the COVID-19 epidemic, the business and legal communities need to be better equipped to deal with emergencies, such as this one, by finding creative solutions to contract conflicts.

4. Conclusion

The COVID-19 epidemic has posed serious problems for the execution of business contracts, according to this research. These problems mainly concern the renegotiation of contractual duties and the use of the force majeure concept. The capacity of the contracting parties to carry out their duties has been impacted by the unprecedented and unforeseen circumstances brought forth by the epidemic. Although the idea of force majeure is acknowledged in Indonesian civil law by way of the Civil Code, this does not mean that it will be applicable in every circumstance. The COVID-19 pandemic may or may not constitute a legitimate force majeure, depending on the courts' interpretation of the various emergency clauses included in various business contracts.

Another important takeaway from this research is the need of renegotiating contracts in order to better define each party's rights and responsibilities. But there are a lot of obstacles that might arise during this renegotiation process, particularly if the parties' interests are at odds or if one side has more leverage in the negotiations. Consequently, renegotiation must be conducted in good faith and under the supervision of a court or arbitration institution to guarantee a fair contract adjustment procedure. To address the need for a more adaptable framework in resolving contract disputes caused by the epidemic, civil law must be used in this context. Arbitration and court systems need to be able to provide equitable rulings by taking pandemic effects into account. Also, for the sake of clarity and legal certainty, the government should provide more detailed rules on how force majeure is to be used in crisis circumstances like this epidemic.

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