The Roles of KPPU On Supervision of Business Competition

by Mukti Fajar

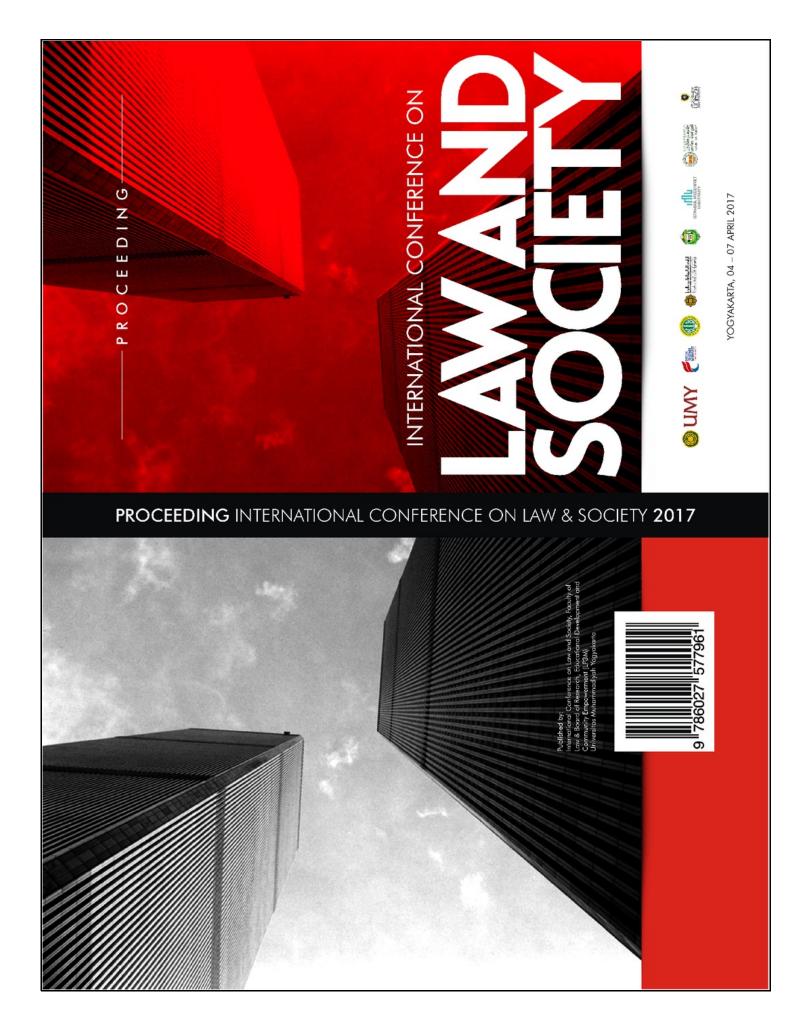
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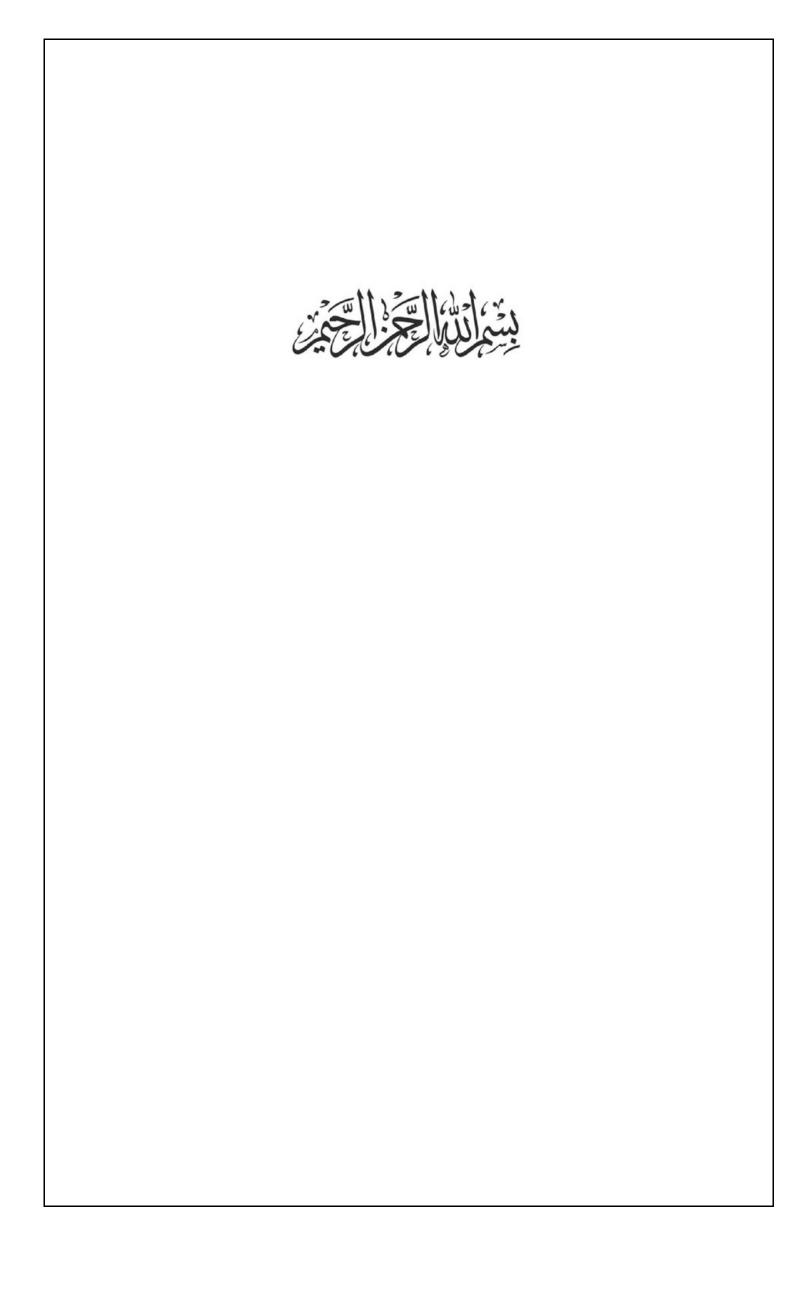
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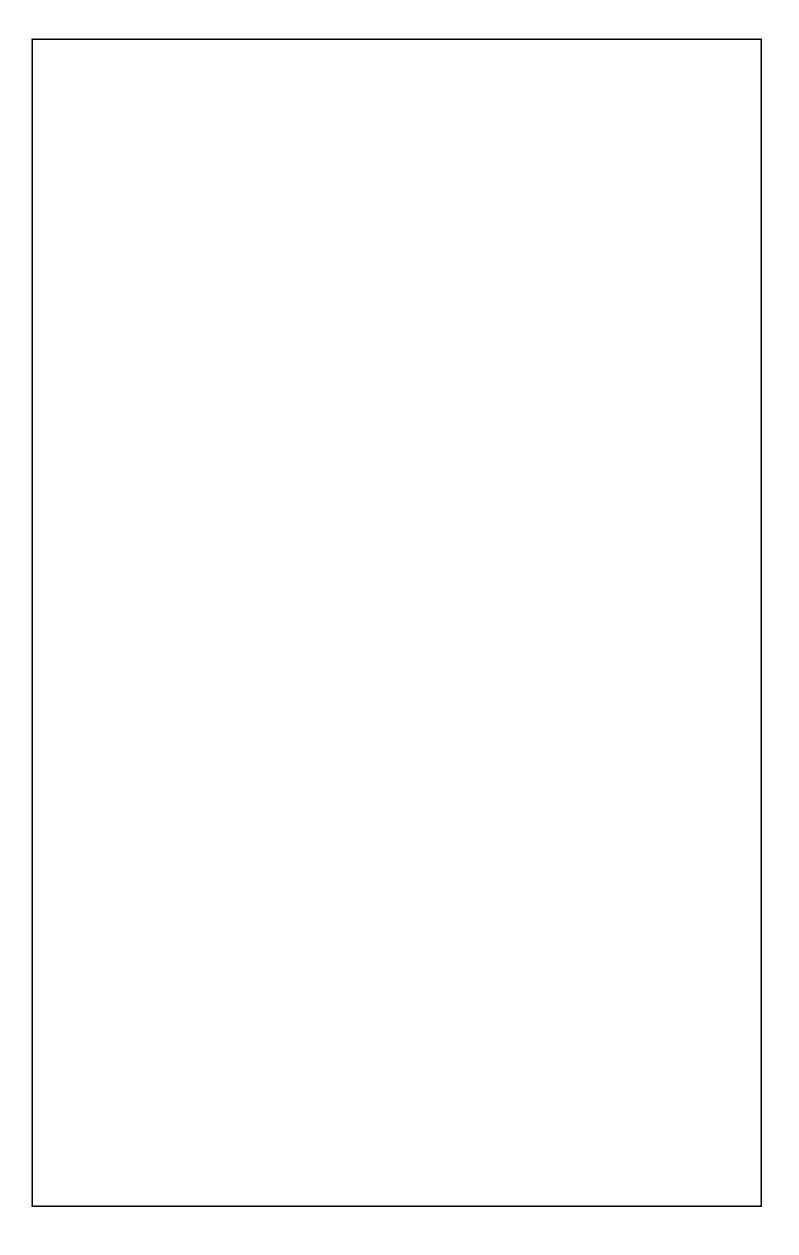
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Yordan Gunawan

Chairman, International Conference on Law and Society 6, Universitas Muhammadiyah Yogyakarta

Assalaamu'alaikumWarahmatullahiWabarakatuh,

In the Name of Allah, the most Gracious and the most Merciful. Peace and blessings be upon our Prophet Muhammad (S.A.W).

First and foremost, I felt honoured, on behalf of the university to be warmly welcomed and to be given the opportunity to work hand in hand, organizing a respectable conference. Indeed, this is a great achievement towards a warmers multilateral tie among UniversitasMuhammadiyah Yogyakarta (UMY), International Islamic University Malaysia (IIUM), Universitilslam Sultan Sharif Ali (UNISSA), Universiti Sultan ZainalAbidin Malaysia (UNiSZA), Fatoni University, Istanbul University, Fatih Sultan Mehmet Vakif University and Istanbul Medeniyet University.

I believe that this is a great step to give more contribution the knowledge development and sharing not only for eight universities but also to the Muslim world. Improving academic quality and strengthening our position as the procedures of knowledge and wisdom will offer a meaningful contribution to the development of Islamic Civilization. This responsibility is particularly significant especially with the emergence of the information and knowledge society where value adding is mainly generated by the production and the dissemination of knowledge.

Today's joint seminar signifies our attempts to shoulder this responsibility. I am confident to say that this program will be a giant leap for all of us to open other pathways of cooperation. I am also convinced that through strengthening our collaboration we can learn from each other and continue learning, as far as I am concerned, is a valuable ingredient to develop our universities. I sincerely wish you good luck and success in joining this program

I would also like to express my heartfeltthanks to the keynote speakers, committee, contributors, papers presenters and participants in this prestigious event.

This educational and cultural visit is not only and avenue to foster good relationship between organizations and individuals but also to learn as much from one another. The Islamic platform inculcated throughout the educational system namely the Islamization of knowledge, both theoretical and practical, will add value to us. Those comprehensive excellent we strived for must always be encouraged through conferences, seminars and intellectual-based activities in line with our lullaby: The journey of a thousand miles begin by a single step, the vision of centuries ahead must start from now.

Looking forward to a fruitful meeting.
Wassalamu'alaikumWarahmatullahiWabarakatuh

Foreword

Trisno Raharjo

Dean, Faculty of Law, Universitas Muhammadiiyah Yogyakarta

Alhamdulillah all praise be to Allah SWT for his mercy and blessings that has enabled the FakultasHukum, UniversitasMuhammadiyah Yogyakarta in organizing this Inaugral International Conference on Law and Society 6 (ICLAS 6).

This Conference will be providing us with the much needed academic platform to discuss the role of law in the society, and in the context of our two universities, the need to identify the role of law in furthering the progress and development of the Muslims. Muslim in Indonesia and all over the world have to deal with the ubiquity of internet in our daily lives life which bring with it the adventages of easy access of global communication that brings us closer. However, internet also brings with it the depraved and corrupted contents posing serious challenges to the moral fabric of our society. Nevertheless, we should be encouraged to exploit the technology for the benefit of the academics in the Asia region to crat a platform to collaborate for propelling the renaissance of scholarship amongst the Muslims.

This Conference marks the beginning of a strategically planned collaboration that must not be a one off event but the beginning of a series of events to provide the much needed platform for networking for the young Muslim scholars to nurture the development of the Muslim society.

UMY aims to be a World Class Islamic University and intend to assume an important role in reaching out to the Muslim ummah by organising conferences hosting prominent scholars to enrich the development of knowledge. This plan will only materialise with the continuous support and active participation of all of us. I would like to express sincere appreciation to the committee in organising and hosting this Conference.

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The Roles Of Kppu On Supervision Of Business Competition: A Case Study Of Cartel Dispute Settlement In Indonesia¹

MUKTI FAJAR ND

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ARSTRACT

Since 1999 Indonesia has the Law on Anti-Monopoly and Unfair Business Competition (Indonesian Monopoly Law/IML). Anti-Monopoly and Unfair Business Competition Law provides the roles for the Commission to supervise on any unfair business competition. However, there are many strategies prohibited business conducted by business, such as cartel. Cartel is a banned agreement mentioned in Article 11 of Anti-Monopoly Law in Indonesia because gives loses to the consumer and others businesses. The research aims to discuss on the roles of KPPU on disputes settlement of cartel cases in Indonesia. The research method used in this research is Normative Legal Research, by reviewing to some theories, legal principles, Indonesian Law, KPPU and Court Decision in settling the Cartel Cases. The research conducted through library legal research with legal document. The result of research first, KPPU has authority to settle the unfair business cases from the investigation process until the first proceeding. Second, shows that some of cartels cases may be settle through KPPU. While, other cases conducted the legal effort to the General Court and Supreme Court.

Keywords: Unfair Business Competition, KPPU, Cartel.

1. Introduction

Business activities in Indonesia starting after independence. See many opportunities to leverage existing natural resources in Indonesia, the foreign investors are interested to investing in Indonesia and compete with other investor. Most investors are from China, and investors are mostly doing small businesses, but there are also some investors who have the capital to build a great business. Business activities in Indonesia progressively increasing, but since the monetary crisis in 1997-1998 investors who had invested heavily in Indonesia want to stop that cooperation with Indonesia and prefer to invest in other countries. After that the government rebuilds the economic system to make the investors come back to invest and open for business in Indonesia.

Year by year business activities progressively increasing until now. Not only from the foreign investor but also from the local investor who has to understand playing in the capital markets field. Due to the increasing of businesses and the tight competition of business activity in Indonesia so the government has initiative to make the regulation on business activity. Currently, on March 5, 1999 President of Republic of Indonesia ratified the bill on the Prohibition of Unfair

Business Competition and Monopoly Practice Law 1999. Behind the reason on proposing of this law is to provide the benefits for the society especially to the business.² The effort to regulate the business competition was started from the establishment of Law No. 5 of 1984 on Industrial (hereafter Industrial Law 1984) which is mentioned the urgency on regulation, supervision and industrial development by the government, intended to improve the good and healthy competition, prevention unfair business competition, or industry domination by group or person in the form of monopoly which loses to the public.³ Based on Indonesian monopoly law the government create the new institution named Business competition supervisory commission (after this we called KPPU) that has been given mandate by the regulation to supervise the business activity in Indonesia

Business Competition Supervisory Commission (KPPU) was formed with the aim to prevent and follow up monopolistic practices and to create a climater f healthy competition to businesses in Indonesia. It is mentioned in article 30 of Act Number 5 of 1999 concerning prohibition of monopolistic practices and unfair business competition that the KPPU are an independent agency that regardless of the influence and power of the government and other parties. KPPU is a special organ which has dual tasks, that is to create healthy competition and served to maintain conducive competition, and also give contribute to social justice and economic progress in indonesia.⁴

Although KPPU has in particular law enforcement functions on Competition Law, KPPU is not a judicial institution on specialized competition. Thus, KPPU is not authorized to impose civil and criminal penalties. Position of KPPU over an administrative agency for the authority attached to it is the administrative authority, so that sanctions are imposed on administrative sanctions.

Prohibition of Unfair Business Competition and Monopoly Practice Law 1999 provided the supervisor body to conduct the investigation, prosecution on the agreement and any banned business activities. The Law mandates to the Business Competition Supervisory Commission (hereafter KPPU), as one of the special commission to handle all the unfair business competition. Mentioned in the Article 35 and 36 of the Law number 5 of 1999 on the Duties and Authorities of KPPU.

Inline with the economic development in Indonesia while followed by the prohibited action that conduct by the businesses, cause of that reason the government should make the regulation.⁵ Nowadays, some of businesses conduct unfair business action, such as; cartel, oligopoly, monopoly, monophony etc. However, there are many unfair business competitions in practices conducted by the business especially cartel. and in this article the researcher will be focus on discussing about cartel cases.

A cartel is an anti-competitive arrangement between two or more competing businesses. Based on black's law dictionary cartel is a combination of producers or seller that join together to control a product's productions or price. ⁶ Cartel is one of the unfair business competitions, which is mentioned in Article 11 of Law No. 5 of 1999 on Prohibition of Unfair Business Competition and Monopoly Practice (hereafter Prohibition of Unfair Business Competition and Monopoly Practice Law 1999). Indonesia realizes that cartel is prohibited under the Prohibition of Unfair Business Competition and Monopoly Practice Law 1999 as follows:

Entrepreneurs are prohibited from making any contrest with other business competitors with the intention to influence the price by determining production and/or marketing of goods and/or services that can cause monopolistic practices and/or unfair business competition. 7

The crimes of corporation, in the form of Monopoly and Cartel are the most dangers comparing to the crimes on Corruption. While, corruption was damaged the money of the state, and monopolies also cartels damaged to the public interest through a price to be paid more expen-

sive.⁸ Moreover, Monopoly and Cartel are an invisible crime, because the crimes are not only damage to the state money but also the public. In adding together, cartelized industrial sectors lack competition which certainly reduces competitiveness in the long run and may have a negative impact on the overall performance of a country's economy. Widespread shapes of cartels conduct are: price fixing, market sharing, bid rigging and output control.

Based on the background above, this legal research analyzed the role of KPPU to protect the healthy business competition in Indonesia in the Cartel Cases, with in accordance to the Prohibition of Unfair Business Competition and Monopoly Practice 1999 Law.

2. Discussion

Business competition has the very significant role in development of the state. Business activity supports the national development, so the government has the main duties to improve the development of economic progress in their territory. The effort of government to improve their business activity has to be appropriate with the applicable regulation in term of law perspective, economic and any government policy. This economic system contain the principles of balances, equality, give the same opportunities, justice and equally to the all society. Based on the consideration before, business competition becomes the basis of economic sector and trade, so the competition should be performed in the good and health condition. While, the result of good and healthy business competition will create an efficiency of price, and will give the alternative of product for the consumer. In contradict, unfair business competition while create the centralization of economic power, will impact to the domination of production sector and/or distributions of goods and/or services by the businesses, and so can impact to the losses of public interest, against to the social justice.

The reason on the proposing the bill on anti-monopoly practice is 1945 constitution, which require for the welfare of the society, ¹⁰ not for the welfare of individual. ¹¹ Prior to the enactment of the Indonesian Competition Law, the Indonesian government did not pay much attention to the development of competition law. ¹² In the 1980s, internal discussions on competition and consumer protection had been conducted several times among officials at the Department of Industry, but no comprehensive legal regime was adopted. The desire to have a comprehensive antimonopoly law in Indonesia dates back to around 1990. Many scholars, political parties, non-governmental organizations, and even certain government institutions discussed and proposed developing an antimonopoly law.

The Prohibition of Unfair Business Competition and Monopoly Practice Law 1999 specifically regulate on the Business Competition Supervisory Commission mentioned in Chapter VI which consists of 8 articles from Article 30 until Article 37. In the Article 30 Paragraph 1 stated that: "to oversee the implementation of this law, a Business Competition Supervisory Commission is formed, hereinafter referred to as Commission". To strengthen of this article was enacted by the Presidential Decree No. 75 of 1999 on the Business Competition Supervisory Commission.

By the establishment of KPPU as the independent body which specifically intended to supervise the implementation on the Prohibition of Unfair Business Competition and Monopoly Practice Law 1999, in every roles, duties, authorities and responsibilities including settling any cases. KPPU is an independent institution with judicial authority to conduct investigations, evaluate alleged violations, hear and decide a case, impose administrative sanctions, and provide advice and opinions regarding government policies.¹³ In the context of the structure of the Indonesian state, KPPU is an auxiliary organ and is a quasi-judicial body given the task of supervising the

competition law.¹⁴ Quasi institutions carry out the authority already accommodated at an existing state institution. Due to public distrust of the existing state institution, it is considered necessary to form an independent institution.¹⁵

The Duties of the Commission as mentioned in Article 35 of the Law are: 16

- a. Conducting evaluations of contracts that might cause monopolistic practices and/or unfair business competition as regulated under Articles 4 through 16;
- b. Conducting evaluations of business activities and/or entrepreneurs' behavior that might cause monopolistic practices and/or unfair business competition as regulated under Articles 17 through 24;
- c. Conducting evaluations if there is any abuse or not in the dominant position that might cause monopolistic practices and/or unfair business competition as regulated under Articles 25 through 28:
- d. Taking actions based on the authority of the Commission as regulated under Article 36;
- e. Providing suggestions and consideration on Government policy related to monopolistic practices and/or business competition;
- f. Set up guidelines and/or publication related to this Law;
- g. Providing periodic report on the work results of the Commission to the President and the House of Representative.

Refer to the duties of KPPU above the establishment of the commission are to supervise of the implementation of the law which needed by institution given by the state. By the authorities from the state the commission hopes may run their duties well. The Based on Article 36 of the Indonesian Competition Law, KPPU has the authority to (i) receive reports regarding violation of the Indonesian Competition Law, (ii) conduct investigations including inviting witnesses and any person deemed to have knowledge of violations of the law, (iii) determine and stipulate the existence or non-existence of losses on the parts of business persons or society (iv) decide on the case, and (v) impose administrative sanctions.

The judicial procedure in the Commission shall be fully in Commission Decision No. 05 / KPPU / Kep / IX / 2000 on Procedures for Submission of Reports and Handling Alleged Violation of Law 5 Year 1999. This decision shows that the Commission can also act as a self-regulatory body, whose provisions are binding on members of the community. The process of a dispute settlement case in the Commission passed several stages, which can be classified as follows:

- a. gathering phase indication;
- b. the stage of preliminary examination;
- c. phase advanced inspection;
- d. imposition stage of the decision;
- e. the execution phase verdict.

be dispute settlement procedure based on article 44 on law number 5 of 1999 are;

- (1) Within a period of 30 (thirty) days counted from the date the entrepreneurs receive notification of the Commission's decision as referred to under Article 43, Paragraph (4) above, the entrepreneurs shall be obligated to carry that decision and deliver the implementation report to the Commission.
- (2) Entrepreneurs may submit a position of objection to the District Court within a maximum period of 14 (fourteen) days upon receiving notification of the Commission.
- (3) Entrepreneurs who do not submit a petition of objection within a period as referred to under Paragraph (2) of this Article shall be regarded as to have accepted this Commission's decision.

- (4) If provisions as referred to under Paragraph (1) and Paragraph (2) of this article are not carried out by the entrepreneurs, the Commission shall hand over the said decision to the investigators for investigation pursuant to the existing law.
- (5) The Commission's decision as referred to under Article 43, Paragraph (4) constitutes preliminary evidence which is sufficient for the investigators to conduct investigation.
- If the parties still not accepted the decision of KPPU, the parties can conduct legal remedy to general court or supreme court, this is based on article 45 of Law number 5 of 1999 stated that;
- (1) The District Court n2 st examine the objection by the entrepreneurs as referred to under Article 44, Paragraph (2), within a period of 14 (fourteen) days counted from the date the objection is regived.
- (2) The District Court must make a decision within a period of 30 (thirty) days counted from the date the objection begins to be examined.
- (3) The parties objection to the District Court's decision as referred to under Paragraph (2) this article, within a period of 14 (fourteen) days, may submit a petition for cassation to the Supreme Court of the Republic of Indonesia.
- (4) The Supreme Court must make a decision within a period of 30 (thirty) days counted from the date the cassation petition is received.

There are some provisions based on the Law No. 5 of 1999 on Prohibition on Unfair Business Competition and Monopoly Practice prohibits anticompetitive conduct mentioned on Article 4-16 which deals with prohibited of agreements one of the provision related to the cartel. The provisions of Indonesian Competition Law do not specifically define the term "cartel". However, the term "cartel" is used as the heading of the prohibition of production and distribution cartels in Article 11. The definition of the term "cartel" can be found in KPPU Regulation No. 4 of 2010 concerning the Guidelines on Article 11 of Indonesian Competition Law as: "a cooperation of a number of competing undertakings to coordinate their activities in order to control the volume of production and the prices of goods and or services to gain a profit above reasonable profit". 20

Widespread shapes of cartels conduct are: price fixing, market sharing, bid rigging and output control. Price fixing take places when competing businesses make an agreement that has the purpose or effect of fixing, controlling or maintaining the price of goods or services prices. This may be in the form of agreed selling or buying; agreed minimum prices; agreed formula for pricing or discounting goods and services; agreed rebates, and allowances or credit terms. Such agreements may be in writing but are often informal and verbal. Here we will discuss on price fixing cases:

This cases conduct by the biggest two company that are Yamaha Indonesia Motor Manufacturing (hereafter YIMM) and PT Astra Honda Motor (hereafter AHM). The end of 2016, KPPU was investigated on the case between Yamaha Indonesia Motor Manufacturing and PT Astra Honda Motor which alleged on conducting Cartel practice. Syarkawi Rauf²¹ stated, that the commission was conducted an investigation on this case from 2014. While, this violation was indicated from 2013 until 2015.²²

In the last of 2016, KPPU decide the cases which contradict to the article 5 Law Number 5 of 1999 on the Prohibition on Unfair Business Competition and Monopoly Practice to the parties between YIMM and AHM. This two companies can be proving that conduct cartel based the cases number 04/KPPU-I/2016 on assuming of conducting cartel practice. Syarkawi Rauf, the head of KPPU stated that, the settlement of case No. 04/KPPU-I/2016 has been stated from 2013 until 2015. Moreover, Yamaha as the first plaintiff in this case attempted intentionally presented

the data and facts are not true to the goals of company.²³ and this cases already settle and get decision from KPPU, but after the decision of KPPU both parties did not feel satisfy with the decision because of that both of parties want to bring this cases to the general court, and this cases still on general court proceedings.

And other example is about telecommunication cases, this KPPU cases No.26/KPPU –L/2007 this cases started when there is a parties send report to the KPPU on violation of-Net messenger conduct by cellular operator on 2004 until 1 April of 2008. KPPU can proved this violation based on the agreement between the operator cellular in of-net messenger price fixing. This action can give loses to the consumer and can damage the economic system in Indonesia. KPPU already give decision on this cases, on the KPPU decision stated that they are 6 cellular operator that violate article 5 of law number 5 of 1999 and KPPU give punishment to the cellular operator to pay the fine around 4 billion – 25 billion rupiah. And all parties accepted the KPPU decision, no more legal remedy.²⁴

The next cases are about cartel on chicken meat.²⁵ Thursday, October 13, 2016 KPPU was investigated on the case between the businesses of chicken. The judges of KPPU Kamser Lumbanraja stated that there are 12 parties proved guilty. Based on the investigation process KPPU find some evidence that the parties already have continuestly business meeting before start from February 25, 2015 to discuss and make agreement between the parties to control a parent chicken stock. This action has damage to the small businesses of chicken farmerbecause the price of poultry more expensive then before. The comsumer also get impact because the price of chicken meat more expensive too.

In March 13,2016, KPPU decide the cases which contradict to the article 11 Law Number 5 of 1999 on the Prohibition on Unfair Business Competition and Monopoly Practice, and the parties should pay maximum 25 billion. The parties can be proving that conduct cartel based the cases number 02/KPPU-I/2016 on assuming of conducting cartel practice. Kamser, the head of KPPU judges stated that, the settlement of case No. 02/KPPU-I/2016 has been stated from February 25, 2015 until March, 3, 2016. and this cases already settle and get decision from KPPU.

Other cases is about cartel on meat, ²⁶ Thursday, October 13, 2016 KPPU was investigated on the case between feedloter company. The KPPU judges Chandra Setiawan stated that there are 32 parties proved guilty. Based on the investigation process KPPU find some evidence that the parties already have continuestly business meeting before to discuss and make agreement between the feedloter to control the meet production. This action has damage and loses to comsumer because the price of meat increasing until RP 170.000/Kg, this is so expensive then before.

KPPU decide the cases which contradict to the article 11 Law Number 5 of 1999 on the Prohibition on Unfair Business Competition and Monopoly Practice, and the parties should pay maximum 21 billion. The parties can be proving that conduct cartel based the cases number 10/KPPU-I/2015 on assuming of conducting cartel practice. Chandra Setiawan, the head of KPPU judges stated that, the settlement of case No. 10/KPPU-I/2015 has been stated on 2015. and this cases already settle and get decision from KPPU. but after the decision of KPPU both parties did not feel satisfy with the decision because of that both of parties want to bring this cases to the general court, On April 22,2016 this cases bring to general court and now still in proceeding.

3. Conclusion

 KPPU are an independent agency that regardless of the influence and power of the government and other parties. The KPPU has authority to supervise the business competition in Indonesia, KPPU also settle the business competition cases from the investigation process until give the decision on the firs court proceeding. The authority of KPPU already regulated in article 36 of Law No. 5 of 1999 on Prohibition on Unfair Business Competition and Monopoly practice.

b. some of cartels cases may be settle through KPPU, While other cases conducted the legal effort to the General Court and Supreme Court. if the parties didn't feel satisfied with the KPPU decision the parties can conduct legal remedy effort to the general court, if the parties still didn't feel satisfied with the decision from general court, they can conduct the cassation process on the Supreme Court.

endnotes

- To prevent monopoly practice needs The Law on Anti-Monopoly, Republika, March 19, 1998. See also Article 3 point b of Prohibition of Unfair Business Competition and Monopoly Practice Law 1999: "... to create the good business competition through healthy business competition act to guaranty the same business opportunities for high, medium and small businesses..."
- 3 Article 5 of Industrial Law 1984
- ⁴ Suyud Margono, 2009, Hukum Anti Monopoli, Sinar Grafika, Jakarta, h. 136.
- ⁵ In line with the concept of ubi societas ibi ius (Wherever there is society, there is law)
- 6 Bryan A. Garner, 2009, Black's Law dictionary, Thomson west
- Article 11 of Law No. 5 of 1999 on Prohibition on Unfair Business Competition and Monopoly Practice
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- A.M. Tri Anggraini, 2003, Larangan Praktek Monopoli dan Persaingan Tidak Sehat perse illegal atau rule of reason, Jaka 2 FH UI. p.6.
- Juwana, H. (2002), 'An Overview of Indonesia's Antimonopoly Law', Washington University Global Studies Law Review. p.186.
- Article 35, 36 and 37 of Law No. of 1999
- Jentera Jurnal Hukum (Jentera Law Journal) 12 editions, April-June 2006, p.37.
- Lubis, 2009, Hukum Persaingan Usaha Antara Teks & Konteks, Bonn: Germany. p. 312.
- Article 35 on the Prohibition of Unfair Business Competition and Monopoly Practice Law 1999.
- Jinner Sidauruk, 2008 Peranan Komisi Pengawasan Persaingan Usaha dalam Pengembangan Usaha di Indonesia,
- Art. 11 of Indonesian Competition Law reads: "Undertakings are prohibited from making any agreements with their competitors with the intention to influence the price by determining the production and/or the marketing of goods and/or services that can result in monopolistic trictices and/or unfair business competition." See unofficial English translation in K. Hansen, et.al., Undang-undang Larangan Praktek Monopoli dan Persaingan Usaha Tidak Sehat, Revised edition, Jakarta Katalis 2002.
- Kppu Regulation has a similar function to an act of soft law, provides guidelines and interpretation of certain provisions of Indonesian Competition Law and binds Kppu only internally. Thus, it does not have a binding character for courts, for example.
- ²⁰ Kppu Regulation No. 4 of 2010.
- ²¹ Syarkawi Rauf is A former of Head KPPU
- Komisi Pengawas Persaingan Usaha Indonesia, "KPPU Persilahkan Yamaha dan Honda Ajukan Keberatan ke PN", available at http://www.kppu.go.id/id/blog/category/press-release/, accessed on

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- Sunday, March 5, 2017, at 12.56 pm.
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