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Juridical Analysis of Alleged Violations of Article 14 of Law No. 5 of 1999 Related to Vertical Integration by Sany Group (Case Study: ICC Decision Number 18/ICC-L/2024)

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ARTICLE INFO

Article history:
Received: Mar 22, 2026
Revised: Apr 22, 2026
Accepted: May 11, 2026
Available online May 31, 2026

E-ISSN: 3026-0477
P-ISSN:

How to cite:
Brigitta, K., Sirait, N. N., & Robert, R. (2026). Juridical Analysis of Alleged Violations of Article 14 of Law No. 5 of 1999 Related to Vertical Integration by Sany Group (Case Study: ICC Decision Number 18/ICC-L/2024). Ultimate Journal of Legal Studies, 4(1), 28–33.

Retrieved from: https://talenta.usu.ac.id/uljls/article/view/26494

DOI: 10.32734/uljls.v4i1.26494

ABSTRACT

The era of globalization has encouraged the influx of foreign investment into Indonesian industries, creating market structures that are vulnerable to anticompetitive practices by multinational corporations. The Sany Group case has become a significant precedent in the enforcement of Indonesian competition law. KPPU Decision Number 18/KPPU- L/2024 represents the first vertical integration case involving a foreign entity and resulted in a substantial administrative fine. This study examines the regulation of vertical integration under Indonesian competition law, the provisions governing dealer agreements with foreign business actors, and the juridical analysis of KPPU Decision Number 18/KPPU- L/2024 concerning the alleged violation of Article 14 of Law Number 5 of 1999 by Sany Group. This research employs a normative juridical method with a descriptive nature, utilizing statutory, conceptual, and case approaches. Data were collected through library research and analyzed qualitatively using a deductive reasoning framework. The findings indicate that, procedurally, the decision has fulfilled the elements required under Article 14. Substantively, however, the essence of Sany Group's violation lies in the abuse of economic dependence arising from asymmetrical bargaining power rather than merely vertical integration. The application of the extraterritoriality principle in this decision faces challenges because Law Number 5 of 1999 does not explicitly regulate the authority of the Business Competition Supervisory Commission (KPPU) in this regard. In practice, Sany Group's conduct more closely corresponds to the provisions of Article 25 concerning the abuse of a dominant position. The inability of Article 25 to adequately address this case stems from its quantitative approach based on market share thresholds. This study recommends revising the implementing guidelines of Article 25 to accommodate the concept of abuse of economic dependence and to clarify the extraterritorial authority of the KPPU.

Keywords: *Agreement, Dealer, Extraterritoriality, Vertical, Integration.*

ABSTRAK

Era globalisasi telah mendorong masuknya investasi asing ke industri Indonesia, menciptakan struktur pasar yang rentan terhadap praktik anti-persaingan oleh korporasi multinasional. Kasus Sany Group menjadi preseden signifikan dalam penegakan hukum persaingan usaha Indonesia. KPPU Nomor 18/KPPU-L/2024 merupakan perkara integrasi vertikal pertama yang melibatkan entitas asing dengan total denda yang cukup tinggi. Penelitian ini mengkaji pengaturan integrasi vertikal menurut hukum persaingan usaha Indonesia, ketentuan perjanjian dealer dengan pelaku usaha asing, serta analisis yuridis atas Putusan KPPU Nomor 18/KPPU-L/2024 terkait dugaan pelanggaran Pasal 14 Undang-Undang Nomor 5 Tahun 1999 oleh Sany Group. Metode penelitian yang digunakan adalah penelitian yuridis-normatif bersifat deskriptif dengan pendekatan perundang-undangan, konseptual, dan kasus melalui studi kepustakaan yang dianalisis secara kualitatif dengan kerangka penalaran deduktif. Dalam penelitian ini ditemukan bahwa secara prosedural, putusan telah memenuhi unsur-unsur Pasal 14. Secara substantif, esensi pelanggaran Sany Group terletak pada penyalahgunaan ketergantungan ekonomi *(abuse of economic dependence)* akibat asimetri daya tawar bukan semata integrasi vertikal. Penerapan prinsip ekstrateritorialitas dalam putusan ini menghadapi kendala karena UU No. 5/1999 tidak mengatur kewenangan KPPU secara eksplisit. Perilaku Sany Group secara faktual lebih sesuai dengan Pasal 25 tentang penyalahgunaan posisi dominan. Ketidakmampuan Pasal 25 menjangkau kasus ini disebabkan oleh pendekatan kuantitatif berbasis pangsa pasar yang masih terpaku pada ambang batas tertentu. Penelitian ini merekomendasikan revisi terhadap pedoman pelaksanaan Pasal 25 untuk mengakomodasi konsep *abuse of economic dependence* dan mempertegas kewenangan ekstrateritorialitas KPPU.

Kata Kunci: Dealer, Ekstrateritorialitas, Integrasi, Vertikal, Perjanjian.

1. Introduction

The heavy equipment industry has a strategic role in the Indonesian economy as a barometer of real sector activity, especially in infrastructure development, mining, and national logistics distribution (Basri, 2021). The market structure of the heavy equipment industry in Indonesia shows oligopolistic characteristics with the dominance of several major players. The medium and heavy truck market in Indonesia is dominated by the four main brands Hino, Mitsubishi Fuso, Isuzu, and UD Trucks with a market share of more than 85 percent (Indonesian Heavy Equipment Industry Association, 2024). This market concentration extends to *aftermarket* networks in the form of spare parts and repair services, creating a vertically integrated business ecosystem (Wahyuni, 2021).

The relationship between foreign principals and local dealers in the heavy equipment industry is often asymmetrical. Dealers rely on principals for unit allocation, spare parts, and technical support, while principals utilize dealers as distribution channels (Budiman, 2022). Dealer agreements generally contain exclusive clauses that create the dealer's economic dependence and have the potential to hinder competition at the distribution level (Santosa, 2022). This inequality is exacerbated by forum clauses and choice of law that designate the jurisdiction of the principal's home country, practically closing the dealer's access to justice.

SANY Group, a heavy equipment manufacturer from China, expanded into Indonesia in the early 2010s through PT SANY Indonesia Machinery. The company built a vertically integrated distribution network through dealer agreements with various binding clauses (ICC Decision Number 18/ICC-L/2024). The case began with a public report regarding alleged monopoly practices in the sale of new units, spare parts, and heavy equipment maintenance services of the SANY brand. Dealers reported that they were forced to buy high-priced parts from the SANY Group without being allowed to look for cheaper alternatives.

After going through an examination, ICC issued a decision in 2025 that determined that SANY Group was proven to have violated Article 14 of Law No. 5/1999 concerning the Prohibition of Monopoly Practices and Unfair Business Competition. This decision is a landmark decision of ICC in supervising vertical integration practices by multinational companies with a total fine of IDR 449 billion. ICC considers that SANY Group has made agreements with dealers aimed at controlling the marketing of spare parts and after-sales service services, resulting in unfair business competition in the aftermarket market.

Several important legal issues arise from this case. First, the provision of vertical integration in Article 14 of Law No. 5/1999 still leaves an interpretive debate regarding the application of the rule of reason approach. Second, the contractual relationship between foreign principals and local dealers contains clauses that create inequality of bargaining positions. Third, the application of the principle of extraterritoriality to foreign business actors still faces normative obstacles because Law No. 5/1999 does not explicitly regulate the authority of ICC.

This study aims to examine the provisions of vertical integration according to Indonesian business competition law; analyze the terms of dealer agreements with foreign business actors according to Indonesian law; and conducting a juridical analysis of the alleged violation of Article 14 of Law No. 5/1999 by the SANY Group in ICC Decision Number 18/ICC-L/2024.

2. Method

This research is a juridical-normative research by analyzing ICC Decision Number 18/ICC-L/2024. Normative legal research focuses on the study of law as a system of norms, emphasizing analysis of legal principles, laws and regulations, court decisions, and legal doctrine (Soekanto & Mamudji, 2021). This research is descriptive, comprehensively explaining the normative framework that governs the object of study.

This research uses three approaches: conceptual approach, legislative approach, and case approach (Marzuki, 2005). The data sources consist of primary legal materials (Law No. 5/1999, Government Regulation No. 44/2021, Trade Regulation No. 24/2021, ICC Regulation No. 5/2010, and ICC Decision No. 18/ICC-L/2024), secondary legal materials (academic literature and legal journals), and tertiary legal materials (legal dictionaries and encyclopedias). Data collection uses library research and data analysis uses qualitative analysis with a deductive approach (Ibrahim, 2008).

3. Result and Discussion

3.1 Provisions for Vertical Integration in Indonesian Business Competition Law

Article 14 of Law No. 5/1999 regulates the prohibition of vertical integration aimed at controlling the production series of goods or services that can result in unfair business competition. ICC Regulation No. 5/2010 provides implementation guidelines with an analysis of three stages: capability, incentive, and consumer impact (ICC Regulation No. 5 of 2010). The elements of Article 14 are cumulative: business actors, agreements, other business actors, controlling production, goods/services in the production series, and anti-competitive impacts.

Sanctions for violations of vertical integration have undergone significant changes after the Job Creation Law and Government Regulation No. 44/2021. Previously, the fine was nominal (IDR 1-25 billion). Now, fines are calculated based on 10% of the sales value or 50% of the net profit during the violation period (PP No. 44/2021). However, ICC Regulation No. 5/2010 has not been revised to conform to the new sanctions framework, creating normative disharmony that has the potential to undermine the effectiveness of law enforcement.

3.2. Provisions of the Dealer Agreement with Foreign Business Actors

A dealer agreement is an anonymous agreement whose validity is measured based on Article 1320 and Article 1338 of the Civil Code (Subekti, 2005). Trade Minister Regulation No. 24/2021 requires PMA to appoint PMDN as a distributor and prohibits direct sales to end consumers. The distribution agreement must fulfill three formalities: notary legalization, Trade Attaché legalization, and translation into Indonesian. The application of the principle of extraterritoriality in Indonesian competition law is based on Article 1 number 5 of Law No. 5/1999 which defines business actors based on activities in Indonesian territory. Two relevant doctrines are the single economic entity doctrine and the effects doctrine (Dirwansyah, 2024; Ryngaert, 2015). However, Law No. 5/1999 does not explicitly regulate ICC's extraterritoriality authority, creating legal uncertainty.

3.3. Analysis of ICC Decision Number 18/ICC-L/2024

3.3.1. Fulfillment of Article 14 Elements

ICC stated that the six elements of Article 14 were met. Reported Party I (Sany International Development, Ltd.) is considered to meet the elements of business actors because it carries out activities in Indonesia through dealer agreements and share ownership. The elements of the agreement are fulfilled even though Reported Party II, III, IV is not a party to the Dealer Agreement, because they accept and implement the policies of Reported Party I. The element of controlling production is fulfilled because Reported Party I controls the entire business chain from production in China to direct sales to end consumers. The element of anti-competitive impact is met because non-exclusive dealers are placed under resellers in a discriminatory manner, resulting in dealers ceasing to operate and the market being controlled by the SANY Group. The sanctions imposed totaled IDR 449 billion.

3.3.2. Inaccuracies in the Application of Article 14

The application of Article 14 is considered inappropriate because SANY Group's contractual relationship with dealers is built on extreme asymmetry. The Dealer Agreement regulates the exclusivity of only one direction, the dealer is bound exclusively, but SANY does not (Wahyudi, 2023). SANY Group's behaviour reflects more abuse of economic dependence than legitimate vertical integration. This concept has been recognized in the German Act against Restraints of Competition (GWB) which prohibits the abuse of economic dependency regardless of market share (Suyawan & Tanjung, 2020).

The facts of the trial show five behaviors that are textually more in accordance with Article 25 concerning the abuse of dominant positions: (1) a change in the terms of unilateral payment from 360 days to 60-90 days; (2) forcible transfer of the booking channel to affiliated entities with competing status; (3) prohibition of asymmetrical one-way exclusivity; (4) the cessation of supply and the takeover of dealer consumers; and (5) direct sales to end consumers not in accordance with business licenses (KBLI 46) worth more than Rp1 trillion.

However, the implementation of Article 25 is hampered because SANY Group's market share does not meet the 50% threshold in Article 25 paragraph (2) (46% for 60-ton dump trucks, 2% for 90-100 tons). This indicates the weakness of the market share-based quantitative approach solely to capture the essence of market forces that rely on the structural dependence of dealers.

3.3.3 Weaknesses of the Application of the Principle of Extraterritoriality

The application of the principle of extraterritoriality to Reported Person I (domiciled in Hong Kong and China) uses two doctrines: single economic entity and effects doctrine. The doctrine of a single economic entity is applied based on the dual positions of directors (Xu Qingwei, Liang Jing, Li Zhenyu) which proves that the four entities are not independent. The securities doctrine was applied because of the real impact in Indonesia: the elimination of dealers, losses of IDR 500 billion, and market dominance with direct sales of IDR 1 trillion. However, the fundamental weakness is that Law No. 5/1999 does not explicitly regulate ICC's extraterritoriality authority. As a result, Reported Person I was not fined while Reported Parties II, III, IV were fined IDR 449 billion. ICC is able to reach jurisdictionally but is unable to take enforcement action because there is no enforcement authority for foreign entities without assets in Indonesia. This confirms the need to amend Law No. 5/1999 to explicitly regulate the application of the principle of extraterritoriality.

4. Conclusion

This study concludes that the provisions of vertical integration in Article 14 of Law No. 5/1999 apply a rule of reason approach with the cumulative proof of six elements, but there is normative disharmony because ICC Regulation No. 5/2010 has not been revised in line with the new sanction framework in Government Regulation No. 44/2021. Dealer agreements with foreign business actors are subject to the civil law regime (Articles 1320 and 1338 of the Civil Code) and business competition law (Article 1 number 5 of Law No. 5/1999 and Trade Regulation No. 24/2021). The main weakness lies in the fact that the mechanism for enforcing the principle of extraterritoriality has not been explicitly regulated in Law No. 5/1999. ICC Decision No. 18/ICC-L/2024 is procedurally valid because it meets the elements of Article 14. However, substantively, the application of Article 14 is not appropriate because the behavior of the SANY Group is more in accordance with Article 25 with the concept of abuse of economic dependence which is measured from the asymmetry of bargaining power, not market share. The weakness of extraterritoriality can be seen from the non-fining of Reported Party I (foreign entity) while Reported Party II, III, IV was fined IDR 449 billion. This study recommends that ICC update Regulation No. 5/2010 to adapt to the new sanctions framework; The Government amended Article 1 number 5 of Law No. 5/1999 by explicitly including the application of the principle of extraterritoriality; and ICC revised the guidelines for the abuse of dominant positions by adding the concept *of abuse of economic dependence* as an indicator of violation.

5. Acknowledgement

The author would like to thank the Faculty of Law, University of North Sumatra for providing academic support during the research. Thank you also to the supervisor and all parties who have contributed to the completion of this research.

6. Conflict of Interest

The author declares that there is no conflict of interest in the preparation and publication of this article.

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