



Reassessing Cartel Analysis: The Rule of Reason and Teleological Interpretation in Indonesian Competition Law

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ABSTRACT

Purpose - This study examines the convergence between the Rule of Reason approach and teleological interpretation in the enforcement of Indonesian competition law, particularly in cartel cases.

Methodology - Using a normative doctrinal methodology, the paper explores how substantive economic assessments align with purposive readings of legal norms.

Findings - Despite the seemingly formalistic wording of Article 5 and 11 of Law No. 5 of 1999, this study finds that the Indonesian Competition Commission (KPPU) has increasingly adopted an effect-based analysis in cartel decisions. This shift suggests a move toward teleological interpretation that emphasizes legal purpose and economic rationale.

Novelty - The research contributes to the refinement of interpretive theory in Indonesian competition law and offers practical insights for enhancing regulatory consistency and adaptive law enforcement.

Keywords: *cartel, competition law, KPPU, rule of reason, teleological approach*

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I. INTRODUCTION

The enforcement of competition law in Indonesia, particularly regarding cartel practices, often faces ambiguity due to the tension between textual statutory interpretation and the need for substantive economic analysis. Although Law No. 5 of 1999 contains strict wording such as “prohibited” in Articles 5 and 11, in practice, the Indonesian Competition Commission (KPPU) increasingly conducts effect-based assessments, indicating a departure from a per se approach toward a more nuanced Rule of Reason analysis (Aryadiputra et al., 2022).

This trend raises questions about how legal interpretation should evolve to align with dynamic market conditions and economic justice. Within this context, the Rule of Reason serves as more than just a legal test; it reflects a purposive or teleological mode of interpretation, where legal norms are applied not solely based on their literal meaning but in light of their underlying goals, such as market fairness, consumer



protection, and economic efficiency (Jawani, 2022). This teleological reading has been central to modern developments in competition law globally and is increasingly relevant in emerging economies like Indonesia. Philosophically, this shift can be traced to Aristotelian legal theory, which frames law as a rational instrument for achieving the common good (*eudaimonia*) (Elvahira et al., 2024). In practice, such interpretive methods allow law enforcement bodies like KPPU to move beyond rigid formalism and apply norms in a way that reflects contemporary market realities (Imaduddin et al., 2025).

Despite these developments, scholarly discussions on Indonesian competition law often treat the Rule of Reason and teleological interpretation as separate issues. There remains a conceptual gap in understanding how these two frameworks reinforce each other in regulatory practice.

Based on the above background, this paper seeks to answer the following research questions: (1) What is the relationship between the Rule of Reason approach and teleological interpretation? (2) How significant is this approach in analyzing alleged cartel practices in Indonesia?

II. LITERATURE REVIEW

The two dominant analytical approaches in competition law enforcement, Rule of Reason and per se illegal, represent differing philosophies in evaluating business conduct. The Rule of Reason requires a full analysis of market effects before determining a violation, whereas the per se approach assumes certain behaviors (such as price-fixing or market division) are inherently anticompetitive (Jemarut, 2020; Aminir et al., 2023). In Indonesia, Article 5 and 11 of Law No. 5 of 1999 suggest a per se stance, yet the KPPU increasingly adopts economic effect analysis, indicating a shift toward the Rule of Reason (Aryadiputra et al., 2022).

This shift reflects a broader trend observed globally. In the United States, the Rule of Reason was formalized in *Standard Oil v. United States*, emphasizing reasonableness based on market impact (Bork, 1978). In the European Union, although the law initially favored a more rigid structure, the European Court of Justice now incorporates effect-based reasoning, especially post-*Metropole Télévision* and under Article 101(3) TFEU (O'Donoghue & Padilla, 2006). ASEAN competition frameworks, including Singapore and Malaysia, follow a hybrid model, integrating per se prohibitions with exemptions based on efficiency justifications (Clark, 2021).

To better understand how different jurisdictions balance legal formality and substantive economic assessment, a comparative overview is essential. Table 1 summarizes the dominant approaches to cartel analysis in selected jurisdictions, highlighting how the Rule of Reason or per se illegal is applied, and to what extent teleological reasoning is embedded in each system.

Philosophically, the Rule of Reason embodies a teleological method of interpretation: law must serve its intended function, not merely its text. This is evident in EU jurisprudence, where goals of integration, market efficiency, and consumer protection shape interpretation (Clark, 2021). Similarly, ASEAN's regional cooperation emphasizes proportionality and purpose in legal reasoning, despite differing legal systems across member states (Imaduddin et al., 2025).

In the Indonesian context, this trend is echoed in several KPPU decisions where cartel cases are assessed through economic harm rather than mere textual breach. However, scholars note that this evolution remains uneven due to the lack of doctrinal clarity and institutional guidelines (Jawani, 2022). Literature discussing this includes (Hariz, 2021; Aryadiputra et al., 2022), which show KPPU's inclination to incorporate both structural and behavioral assessments in recent digital market cases.

Yet, few studies integrate the doctrinal logic of the Rule of Reason with teleological legal theory. Legal scholarship in Indonesia tends to either focus on the textual application of Articles 5 and 11 or on philosophical readings, without connecting them to enforcement trends. As Joliet (1967) emphasized,



without attention to market effects and intent, competition law risks becoming detached from economic realities. This paper aims to address that gap by fusing legal doctrine with purpose-oriented interpretation. Teleological theories emphasize that legal norms should be understood in light of their purpose (telos), rather than their literal wording. Rooted in Aristotelian philosophy, this view sees law as a rational means to achieve the common good (eudaimonia) through contextual and purposive reasoning (Elvahira et al., 2024). In modern legal thought, teleology entails interpreting legal provisions according to the objectives they are meant to serve. Such an approach is particularly relevant in competition law, where rigid textualism often fails to capture the complexities of dynamic market behaviors. By incorporating teleological reasoning, competition authorities can align enforcement with broader goals—such as consumer welfare, economic efficiency, and adaptive regulation in digital markets (Ansori et al., 2024; OECD, 2022).

Table 1 Dominant Approaches to Cartel Analysis in Selected Jurisdictions

Jurisdiction	Dominant Approach	Flexibility/Exceptions	Notes
United States	Rule of Reason	Yes – full economic assessment	Leading jurisdiction for effects-based tests
European Union	Hybrid	Yes – Article 101(3) allows efficiency defense	Trend toward contextual analysis
ASEAN (e.g., SG, MY)	Hybrid	Limited – exemptions apply in some conditions	ASEAN Guidelines support flexibility
Indonesia	Textual Leaning	Yes – KPPU increasingly uses effect-based analysis	No clear statutory basis for shift

In recent years, the enforcement of competition law in digital markets has attracted increasing scholarly and institutional attention. The emergence of platform-based business models, network effects, and data-driven dominance has complicated traditional cartel analysis and raised the need for more flexible, effects-based approaches (OECD, 2022; Ezrachi & Stucke, 2020). These complexities underscore the importance of Rule of Reason analysis in assessing conduct that may not involve explicit agreements but could nonetheless distort competition through algorithmic coordination, self-preferencing, or exploitative data practices. Such trends demonstrate that teleological interpretation, grounded in economic purpose and market outcomes, is particularly relevant for digital ecosystems, where rigid textual prohibitions may fail to capture the competitive harm involved.

III. METHODOLOGY

This study employs a normative doctrinal legal research method, which views law as a system of norms and values that must be interpreted systematically. The focus is on the internal logic of legal doctrines and their philosophical and theoretical underpinnings, rather than on empirical data or case studies. The objective is to examine the conceptual and normative relationship between the Rule of Reason and teleological interpretation within the framework of Indonesian competition law.



Research Approaches

This study utilizes three complementary legal research approaches (Marzuki, 2017): (1) Statute Approach: Applied to examine the textual provisions in Law No. 5 of 1999, particularly Articles 5 and 11 concerning cartel prohibition, with attention to their interpretive implications; (2) Doctrinal Approach: Used to analyze legal theories and doctrines from scholarly writings that discuss the Rule of Reason, legal interpretation, and the objectives of competition law. These include classical legal philosophy and modern antitrust scholarship; and (3) Conceptual Approach: Employed to elaborate abstract legal concepts such as “reasonableness,” “substantive justice,” and “teleological reasoning,” and how these concepts inform legal interpretation in competition law enforcement.

Each of these approaches supports the construction of a coherent theoretical argument, without relying on empirical data or case-based analysis.

Legal Materials and Source Selection

The legal materials used in this study were selected based on their relevance to Indonesian competition law and their contribution to theoretical and interpretive discourse. These materials are categorized as follows: (1) Primary Legal Materials: Statutory provisions in Law No. 5 of 1999, including its explanatory memorandum; (2) Secondary Legal Materials: Peer-reviewed journal articles, textbooks, and doctrinal commentaries on competition law, legal interpretation, and legal theory. Some references are made to selected KPPU decisions, but only for illustrative purposes, to show general trends in legal reasoning, without engaging in detailed case analysis; and (3) Tertiary Legal Materials: Legal dictionaries, encyclopedias, and other reference works used to clarify technical terms and legal constructs.

This selection is intended to provide a robust theoretical basis for evaluating how legal interpretation operates in the context of competition law. The analysis is conducted using a qualitative-normative and deductive method, moving from general legal principles (such as purposive interpretation and legal philosophy) to the specific context of Indonesian competition law. Arguments are constructed based on a systematic synthesis of legal norms and concepts, following the established framework of normative legal research. This methodological orientation emphasizes the centrality of doctrinal reasoning in non-empirical legal scholarship (Soekanto, 1986; Marzuki, 2017).

IV. RESULTS AND DISCUSSION

Doctrinal Foundations of Rule of Reason

The Rule of Reason is a fundamental concept in competition law that requires an effects-based evaluation of business conduct. Unlike the *per se* approach, which assumes illegality based solely on the existence of an agreement, the Rule of Reason demands a substantive assessment of whether such agreement actually harms competition (Bork, 1978).

This method places consumer welfare and market efficiency at the center of legal evaluation. It is designed to distinguish between agreements that are truly anti-competitive and those that may, in fact, promote innovation or lower prices (O'Donoghue & Padilla, 2006). The approach favors economic rationality over rigid legal formalism.

In comparative terms, the Rule of Reason has also gained traction in European legal systems, despite their traditionally formalist tendencies (Joliet, 1967). The recognition that law must remain responsive to market realities has led to growing acceptance of more flexible interpretive frameworks.

In the Indonesian context, this doctrine offers a normative foundation for interpreting business behavior not merely in terms of legality or illegality but in alignment with the goals of economic justice and public interest (Aryadiputra et al., 2022).



Application in Indonesian Legal Context

In Indonesia, the formulation of Article 5 and Article 11 of Law No. 5 of 1999 appears to imply a *per se* approach by using the term “prohibited” (Jawani, 2022). However, in practice, the Business Competition Supervisory Commission (KPPU) has increasingly shown a tendency to adopt substantive and economic assessments when analyzing alleged cartel behavior.

This tendency is reflected in several decisions, such as KPPU No. 08/KPPU-L/2018 and No. 04/KPPU-I/2016, where the Commission considered indicators such as price changes, market structure, and consumer harm, instead of relying solely on the formal existence of an agreement (Aryadiputra et al., 2022). These decisions demonstrate a shift toward effect-based reasoning and suggest that enforcement is gradually aligning with the Rule of Reason framework.

Nonetheless, the application of this reasoning remains uneven and sometimes lacks explicit articulation in legal arguments. Certain panels still adopt formalist interpretations, while others engage in economic analysis, creating inconsistency in enforcement outcomes (Jemarut, 2020).

This inconsistency raises concerns about legal certainty. Without clear doctrinal grounding or regulatory guidance, businesses face ambiguity regarding how their conduct will be assessed by the KPPU (Hariz, 2021). The absence of standardized interpretive practice also complicates judicial review, as courts may not adopt the same analytical lens when evaluating KPPU decisions (Jawani, 2022).

To enhance predictability and fairness, Indonesia’s competition law enforcement would benefit from clearer normative articulation of the Rule of Reason approach, accompanied by technical guidelines and institutional capacity-building (Aryadiputra et al., 2022).

Rule of Reason as Teleological Interpretation

The Rule of Reason not only serves as an analytical framework but also embodies a teleological orientation in legal interpretation. Teleological interpretation emphasizes that legal norms must be understood and applied according to their intended purpose (*telos*), not merely based on literal or textual meaning (Clark, 2021). This corresponds with the Rule of Reason’s emphasis on evaluating the economic impact and underlying intent of business conduct rather than automatically declaring it unlawful based on its form.

In the field of competition law, this purposive reasoning prioritizes objectives such as fair market structures, consumer protection, and economic efficiency. This approach allows the law to distinguish between genuinely anti-competitive behavior and conduct that may appear restrictive on the surface but in fact produces pro-competitive or neutral effects (Aryadiputra et al., 2022).

This model of interpretation resonates with Aristotle’s theory of natural law, which views law as an instrument to achieve the common good (*eudaimonia*) through rational human conduct. Aristotle emphasized that law must have a moral and functional purpose and cannot be separated from the goals it aims to achieve (Elvahira et al., 2024). In legal interpretation, especially in civil law systems, substance and social values must guide the application of norms, not merely their literal wording (Imaduddin et al., 2025).

Normative legal reasoning should always consider social interests and future-oriented consequences. The Rule of Reason meets this demand by requiring a contextual, value-driven, and economic rationale when determining whether certain conduct should be legally prohibited (Ansori et al., 2024).

This evolution is also evident in international legal systems, where courts and institutions increasingly prioritize institutional goals and functional effectiveness over rigid textualism (Clark, 2021). A similar orientation is emerging in Indonesia, where teleological interpretation is used by judges and regulators to align statutory provisions with broader economic and social objectives (Imaduddin et al., 2025).



Even within the civil law tradition, where the judiciary is bound by codified statutes, Indonesian judges and regulatory bodies like the KPPU have increasingly relied on teleological methods as a form of legal discovery (*rechtsvinding*) to address novel market challenges (Nabila et al., 2025). This shows that the Rule of Reason not only serves a technical legal function but also reflects a philosophical and interpretive method that seeks harmony between law and socio-economic justice.

Judicial and Regulatory Practices

While the Rule of Reason is not yet formally codified in Indonesian competition law, regulatory practices, particularly those of the KPPU, have shown signs of adopting effect-based reasoning in certain cartel cases. Although Law No. 5 of 1999 uses categorical language such as “prohibited” in Articles 5 and 11, enforcement practice increasingly includes considerations of market impact and economic justification (Jawani, 2022).

In several decisions, including KPPU No. 08/KPPU-L/2018 and No. 04/KPPU-I/2016, the Commission did not rely solely on the textual presence of an agreement but evaluated factors such as price movements, market concentration, and consumer harm. These indicate a pragmatic shift toward Rule of Reason thinking, even though such an approach has not been explicitly acknowledged as doctrinal policy (Aryadiputra et al., 2022).

This regulatory tendency reflects an effort to balance legal certainty with economic rationality. However, the lack of consistent articulation in the legal reasoning of KPPU decisions has resulted in uncertainty regarding the applicable standard. While some panels adopt a clear economic-effect framework, others maintain a formalist stance, leading to inconsistent precedents (Jemarut, 2020).

This inconsistency underscores the need for clearer statutory guidance and institutional standardization. The Rule of Reason, when used implicitly, must be supported by explicit references to legal principles and economic rationale to strengthen the predictability and legitimacy of enforcement outcomes (Hariz, 2021).

Moreover, there remains a gap between regulatory practice and judicial interpretation. Courts reviewing KPPU decisions do not always apply the same teleological reasoning, and sometimes revert to formal interpretations based on textual prohibitions. Without judicial harmonization, the development of Rule of Reason-based enforcement risks fragmentation and uncertainty (Jawani, 2022). Therefore, to fully integrate the Rule of Reason into Indonesia’s competition law regime, legal reforms should aim to provide clearer statutory language supporting effect-based analysis, establish technical guidelines for KPPU and the judiciary, and invest in institutional capacity-building for economic and legal assessment (Aryadiputra et al., 2022; Aminir et al., 2023). This evolution requires sustained coordination among regulators, lawmakers, and courts to ensure that competition law enforcement is both legally grounded and economically responsive.

V. CONCLUSION

This study demonstrates that the Rule of Reason approach in Indonesian competition law reflects a teleological mode of interpretation, emphasizing the purpose and economic rationale behind legal norms. Unlike the formalistic *per se* approach, the Rule of Reason allows for contextual analysis and evidence-based assessments that align with the goals of protecting consumer welfare and ensuring market fairness.

Although Law No. 5 of 1999 contains textual prohibitions, the enforcement practice by the Indonesian Competition Commission (KPPU) indicates a growing reliance on effect-based reasoning. This evolution points to an implicit judicial and institutional shift toward a more purposive reading of competition law.



Thus, the Rule of Reason not only embodies teleological interpretation in legal theory, but also plays a significant role in guiding KPPU's analytical approach to cartel investigations in practice. To enhance legal certainty and regulatory coherence, it is necessary to provide a clearer statutory foundation for the Rule of Reason, strengthen institutional guidelines for effect-based analysis, improve KPPU capacity through technical training and economic analysis tools, and promote judicial consistency through interpretive harmonization.

Further research should explore empirical trends across different industrial sectors, particularly in the digital economy, to support a more adaptive and integrated enforcement model. A stronger normative framework will enable competition law in Indonesia to better respond to evolving market structures and global regulatory challenges. Such development also depends on improving judicial consistency, so that courts and regulators apply compatible interpretive standards when addressing competition cases.

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