

# **Cartel and Political Corruption : Insight from Beef Imports Collusion in Indonesia**

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## **Abstract**

Cartel is a group of several companies collude and give the appearance of competitive rivalry while in fact they have reached an understanding to jointly maximise profits. These companies involved in a conspiracy in anti trust activities. In industry and trade many cartel groups because their goals and action are categorized illegal in a country, especially in terms of price fixing. The purpose of this study is to reveal that cartel is not only a collusion among cartel companies, but also included outsider involvement in collusion. In sector case study of beef imports, the authors find that collusion in Indonesia through secret agreements, lobbying government through politician for private and collective benefits. This study is using qualitative-case study approach. Data is collecting by using literature study relating to the existence of cartel and articles that deals with the issue of cartel on beef imports throughout 2012 to 2018. The results of the study shows that inappropriate import policy is one of the causes of cartels and criminal act of corruption in cartel involving bureaucrat and politician privately or collectively.

## **Keywords:**

import policy, quota, bribery, rent-seeking

## **Introduction**

Cartel's impact is very powerful for the economy of the society. The cartel has no legitimate purpose and only functions to rob the consumers due to the existence of competition. Cartels, therefore, are not properly addressed with a fair obligation regulation

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designed to compensate victims. Conversely, participation in a cartel is seen as a property crime, similar to theft or robbery, and indeed the existence of a cartel is treated properly as a natural crime (Rozi, Sudarsono, Sugiri, & Widhiyanti, 2018).

Cartel is a group of several companies, both domestic and international involved in anti-trust activities. In industry and trade many cartel groups because their goals and actions are categorized illegal in a country, especially in price fixing (Connor, 2006; Pepall, 2001). In the United States itself, cartels have been followed up since the passing of the Sherman Act in 1890 and recently some countries have done the same thing (Beaton Wells & Ezrachi, 2011; Shaffer & Nesbit, 2011). Meanwhile in Indonesia, The Law No. 5 of 1999 concerning *The Ban On Monopolistic Practices And Unfair Business Competition* regulates every individual, forbid cartel by giving criminal threat. Cartel referred to this study is an illegal, agreed and regulated commercial agreement, which involves several players and several complex factors (Berzins & Sofo, 2008).

In a perfect competition market, each company cannot interfere the market and the output produced is usually small so that later they cannot interfere the price. Whereas in the monopoly market, there is only one company in the industry and the company is the price maker. The similarity of the two markets is that each company cannot interfere the policies taken by other companies so that there is no interdependence and no decision making between each company. Unlike the oligopoly market which consists of several companies where a company can affect market prices and also the profits of competitors. Therefore a company must consider the behavior of competing companies to determine which policies and actions are best for the company, so that there is interdependency in decision making among companies.

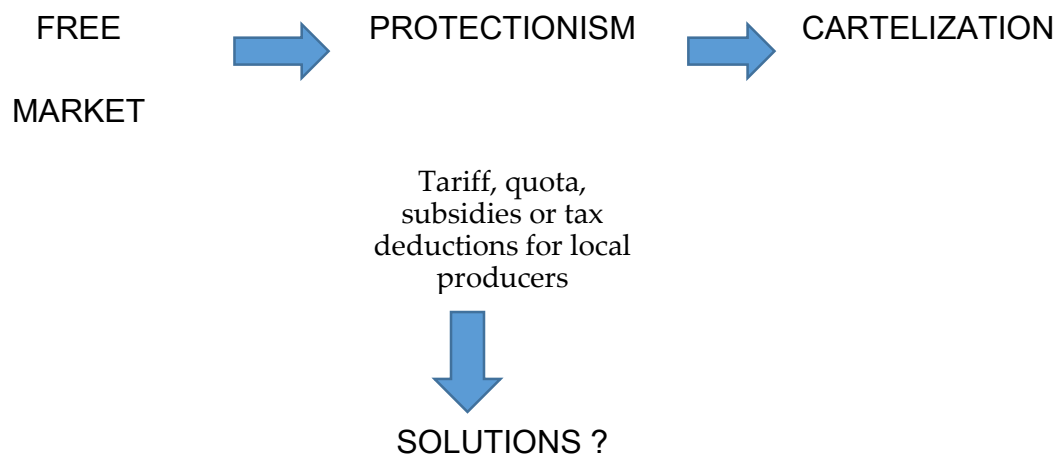
From various oligopoly models and theories, the oligopoly market itself is divided into two main parts, namely cooperative oligopoly and non-cooperative oligopoly. In non-cooperative oligopoly, a market also consists of several companies, but each company is independent and does not work together to maximize profits. Whereas in a cooperative oligopoly, a market consists of only a few companies and they collaborate to coordinate their actions in order to maximize joint profits, and they do in the form of a cartel.

The background to the establishment of a cartel is intense competition in the market which makes several companies make independent associations in the same industry to be

able to control competition (Lypczynski, 2009). To face this competition cartel members agree to regulate production (quota), determine prices and discounts, and other terms of sale for their profits (European Commission, 2012). So the effectiveness of this collusion also depends on the collective action of these companies which limits competition rules in supplying goods and services.

To limit trade competition with outside parties due to the existence of a free market, a protectionism policy was made. Traditionally, protectionism refers to the actions and policies of governments to limit or restrain international trade often done to protect domestic products and foreign competition. Types of protectionism are import tariffs, quotas, subsidies or tax deductions for local producers. Protection that is believed to be a tool to overcome this crisis has existed since centuries ago and is still the choice of trade policies adopted by many countries in the world. Protectionism which is considered as the solution of this crisis is believed to be very important to do with the process of cartelization (Nikodym, 2014).

**Figure 1.**  
**Protectionism as a solution of Crisis?**



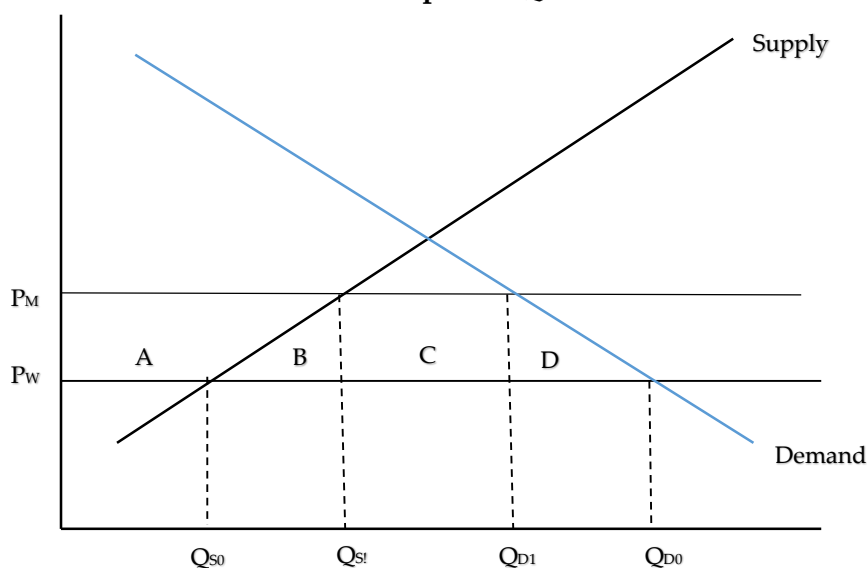
*Sources: Nykodim (2014)*

Government involvement in protectionism brought its own problems, the policy made by the government to set production outputs and quotas could have an impact on cartelization. This protectionism can be in the form of import quotas or tariff policies. But there is no agreement yet on whether this protectionism policy is a result of purely government action or as a result of pressure from domestic producers to the government (Nikodym, 2014). While regulations themselves are often made because of the insistence of

certain groups for their interests in accordance with the Theory of Regulation (Capture Theory of Regulation) developed by Stigler (1971) so that business groups want regulations that protect them from dynamic competition.

Import restrictions (quota) by implementing trade policies will affect prosperity. The impact of quotas in a partial balance analysis can be explained by illustrating a country's supply and demand as shown in Figure 2.

**Figure 2.**  
**Impact of Quota Towards Welfare**



Sources: Wall (1999)

From Figure 1, if free trade occurs the goods are imported will be at world prices, namely  $P_w$ . The country will consume as much as  $Q_{D0}$  and produce as much as  $Q_{S0}$ . The amount to be imported from other countries is  $Q_{D0} - Q_{S0}$ . When there is import protection, the price will increase to  $P_M$ . As the result, the country will produce as much as  $Q_{S1}$  and the number of imports will be reduced to  $Q_{D1} - Q_{S1}$ . Consumers will suffer losses because they bear higher prices and producers will benefit from the increasing production at higher prices. Consumer surplus will decrease by area  $A + B + C + D$ . A is a consumer surplus that is transferred to producers. B and D are loss of welfare or *Dead Weight Loss* (DWL) which is the economic loss. C does not represent government revenue from tariffs, because import restrictions do not originate from tariff policies but non-tariff policies. This area is theoretically measured as a quota rent. If there is no increase in government revenue derived from this

quota rent, the quota rent will be obtained by producers of other countries, so that C is represented as net welfare loss to economy. Government revenue can only increase through the sale of quota licenses. By using  $\theta$  that reflects the share of quota rent, the total net welfare loss from import restrictions is  $B + D + (1 - \theta) C$ .

The potential existence of DWL is what economically causes inefficiency because of the welfare loss. Import quota policy has the potential to cause harm to consumers. For consumers, the import quota policy will reduce the consumer surplus, which is the difference between the satisfaction a person receives in consuming a number of goods and the payment that must be made to obtain the goods. As a result, the level of consumer satisfaction will be depressed and reduce social welfare. If the import quota is limited by volume far below the deficit between supply and demand for food products produced in the country, then the price food commodities will increase. Increased prices can be unnatural and this condition makes consumers disadvantaged. The loss of well-being is suffered not only by consumers but it could be the government. The quota rent which is supposed to be government revenue is vulnerable to being mocked and cannot become as state income.

Some related research on the existence of cartels was conducted by J. D. Jasper (2016) based on an in depth study of 14 Dutch cartels, shows the importance of informal social mechanisms to coordinate, monitor, enforce, and compensate for the longevity of business cartels. Furthermore, the results emphasise that in order to explain cartel stability, social mechanisms that induce trust need to be considered. Bolotova, Connor and Miller (2006) found that local cartels are more stable than global cartels and cartels in countries that implement anti-trust are more stable than countries that do not apply anti-trust. Levenstein and Suslow (2012) in their research stated that cartels that always develop organizational structures and respond to changing conditions tend to persist. Kallioinen (2015) conducted a study of cartel behavior with an institutionalism approach finding that interactions between companies that carry out cartels (endogenous) to keep the cartel going were not enough, strong organizations such as sales agent who regulate cartel member companies are involved in production and pricing. The cartel perpetrators will submit to the sales agent, so that the cartel still exists.

Based on existing research, many studies have been conducted on the existence of cartels. Nevertheless, studies on the existence of cartels are more focused on collusion and

interaction between cartel companies, while collusion involving outsiders other than cartel companies is rarely conducted. The most relevant study in this context was conducted by Thando Vilakazi and Simon Roberts (2018). Although it does not specifically examine cartels in commodity imports, it provides a preliminary description that there is collusion between companies and bureaucrats in determining the regulation of cement and fertilizer supply in southern and eastern Africa. This is done by exchanging information, secret agreements and lobbying governments to distort development policies for personal gain.

The findings of this research stated that 1) Oligopolies control supply and have power in the cement and fertilizer industries in southern and eastern Africa. 2) In the cement industry, with the liberalization of trade, companies collude without any intervention from the government even in the presence of a new competition authority. This causes the companies involved to get high profits. 3) In the fertilizer industry demonstrates the power of the elite in shaping and distorting the results of development subsidy programs at the expense of target groups in Malawi and Tanzania that have relatively high fertilizer prices.

To complete the theoretical study with empirical evidence of cartel practice, this research will focus on the case of beef imports in Indonesia throughout 2012 to 2018. This case was taken because the cartel practice in this case is repeated and is still happening. Weaknesses in the policy and trade system for beef imports is suspected in the determination and distribution of import quota prone to collusion. This collusion leads to political corruption committed by entrepreneurs - politicians – bureaucrats privately or collectively.

### **Political Corruption For Illegitimate Private Gain**

Corruption is a disease, a cancer that eats into the cultural, political and economic fabric of society, and destroys the functioning of vital organs. In the words of Transparency International, *“Corruption is one of the greatest challenges of the contemporary world. It undermines good government, fundamentally distorts public policy, leads to the misallocation of resources, harms the private sector and private sector development and particularly hurts the poor”*<sup>5</sup>

The issue of corruption has to some extent entered the political and economic sciences from the new interest in the role of the state in the developing world, and in particular from the idea that the state is an indispensable instrument for economic development. In contrast

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<sup>5</sup> Transparency International, <http://www.transparency.de/mission.html> (Dec. 15th, 1998).

to the largely rejected “state-dominated” and “state-less” development models, there is now much consensus on the relevance of an efficient medium-sized state in economic development. The 1997 World Development Report stated that “*an effective state is vital for the provision of the goods and services – and the rules and institutions – that allow markets to flourish and people to lead healthier, happier lives. Without it, sustainable development, both economic and social is impossible*” (The World Bank, 1997, p. 1).

The decisive role of the state is also reflected in most definitions of corruption. Corruption is conventionally understood, and referred to, as the private wealthseeking behaviour of someone who represents the state and the public authority, or as the misuse of public goods by public officials for private ends. The working definition of the World Bank is that corruption is *the abuse of public power for private benefit*.

Corruption is a particular (and, one could say, perverted) state society relation. On the one side is the state, that is the civil servants, functionaries, bureaucrats and politicians, anyone who holds a position of authority to allocate rights over (scarce) public resources in the name of the state or the government. Corruption is when these individuals are misusing the public power they are bestowed with for private benefit. The corrupt act is when this responsible person accepts money or some other form of reward, and then proceeds to misuse his official powers by returning undue favours. For instance, it is an act of corruption when a state official takes a bribe to render some public service that is supposed to be free of charge or demands more than the official cost of it (Amundsen, 1999).

**Table 1.**  
**Corruption and Types of Government Resources**

Corruption Type	Type of Government Resources	Example of Corruption	Holder(s) of Direct Control	Holder(s) of Indirect Influence
Legislative	<ul style="list-style-type: none"> <li>• Government policies and regulation</li> </ul>	<ul style="list-style-type: none"> <li>• Payments for favorable legislation</li> </ul>	<ul style="list-style-type: none"> <li>• President/ Ministers/ Legislators</li> <li>• Top Department bureaucrats</li> </ul>	<ul style="list-style-type: none"> <li>• Bureaucrats with control over implementation</li> </ul>
Contracting	<ul style="list-style-type: none"> <li>• Allocation of license/contracts (natural resources, school, roads, etc)</li> </ul>	<ul style="list-style-type: none"> <li>• Kickbacks on license/contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Bureaucrats at level of contract/project</li> </ul>	<ul style="list-style-type: none"> <li>• Politicians with power over bureaucrats</li> <li>• Middleman</li> </ul>
Employment	<ul style="list-style-type: none"> <li>• Government jobs</li> </ul>	<ul style="list-style-type: none"> <li>• Bribes or favors for jobs</li> </ul>	<ul style="list-style-type: none"> <li>• Politicians and bureaucrats with hiring and</li> </ul>	<ul style="list-style-type: none"> <li>• Middlemen</li> </ul>

Services	<ul style="list-style-type: none"> <li>• Provision of individual benefits (for example, IDs, welfare) or sanction (for example, traffic violation)</li> </ul>	<ul style="list-style-type: none"> <li>• Bribes for 'speedy' services</li> </ul>	<ul style="list-style-type: none"> <li>• Street-level bureaucrats</li> </ul>	transferring authority
				<ul style="list-style-type: none"> <li>• Politicians with power over bureaucrats</li> <li>• Local politicians</li> <li>• Middlemen</li> </ul>

Source: Modified from studies by Susan Rose-Ackerman of Yale University (1997), Michael Johnston of Colgate University (1997)

The involvement of state officials in corruption is also emphasised in an alternative definition, where corruption is seen as *"a form of secret social exchange through which those in power (political or administrative) take personal advantage, of one type or another, of the influence they exercise in virtue of their mandate or their function"* (Méry cited in de Sardan 1999:49). In sum, almost every definition (or rather conceptualisation) of corruption has a principal focus on the state and politics ("the corrupted"), and a "demand-oriented" perspective. The categories of corruption as shown is Table 2.

**Table 2.**  
**Categories of Corruption**

Categories of Corruption	Description
Bribery	The act of dishonestly persuading someone to act in one's favour by a payment or other advantages (taxes, services, donations, etc). The use of bribes can lead to collusion (e.g. inspectors under-reporting offences in exchange for bribes) and/or extortion (e.g. bribes extracted against the threat of over-reporting)
Embezzlement	To steal, misdirect or misappropriate funds or assets placed in one's trust or under one's control. From a legal point of view, embezzlement need not necessarily be or involve corruption.
Facilitation payment	A small payment, also called a "speed" or "grease" payment, made to secure or expedite the performance of a routine or necessary action to which the payer has legal or other entitlement
Fraud	The act of intentionally and dishonestly deceiving someone in order to gain an unfair or illegal advantage (financial, political or otherwise).
Collusion	An arrangement between two or more parties designed to achieve an improper purpose, including influencing improperly the actions of another party.
Extortion	The act of impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.
Patronage, clientelism, and nepotism	Patronage at its core means the support given by a patron. In government, it refers to the practice of appointing people directly.

Source : UK Department for International Development : *"Why corruption matters : Understanding Causes, Effects and How To Address Them - Evidence Paper on Corruption, January 2015.*



Political corruption is any transaction between private and public sector actors through which collective goods are illegitimately converted into private-regarding payoffs (Heidenheimer et al., 1993, p. 6). This definition does not, however, distinguish clearly between political and bureaucratic corruption. It establishes the necessary involvement of the state and state agents in corruption, without any notion as to the level of authority where corruption takes place.

Political corruption means the abuse of political power by the government leaders to extract and accumulate for private enrichment, and to use politically corrupt means to maintain their hold on power. Political corruption takes place at the highest levels of the political system, and hence it can be differentiated from administrative or bureaucratic corruption. It can also be distinguished from business and private sector corruption<sup>6</sup>. Political corruption is “the behavior of (elected) public officials which diverges from the formal components - the duties and powers, rights and obligations - of a public role to seek private gain” (Kramer, 1997).

The commonly used distinction between political corruption and bureaucratic corruption is also helpful. Political corruption takes place at the highest levels of political authority (Andvig & Fjeldstad, 2001). It involves politicians, government ministers, senior civil servants and other elected, nominated or appointed senior public office holders. Political corruption is the abuse of office by those who decide on laws and regulations and the basic allocation of resources in a society (i.e. those who make the “rules of the game”). Political corruption may include tailoring laws and regulations to the advantage of private sector agents in exchange for bribes, granting large public contracts to specific firms or embezzling funds from the treasury. The term “grand corruption” is often used to describe such acts, reflecting the scale of corruption and the considerable sums of money involved.

Bureaucratic corruption occurs during the implementation of public policies. It involves appointed bureaucrats and public administration staff at the central or local level. It entails corrupt acts among those who implement the rules designed or introduced by top officials. Corruption may include transactions between bureaucrats and with private agents (e.g. contracted service providers). Such agents may demand extra payment for the provision

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<sup>6</sup> <https://definitions.uslegal.com/p/political-corruption/>

of government services; make speed money payments to expedite bureaucratic procedures; or pay bribes to allow actions that violate rules and regulations. Corruption also includes interactions within the public bureaucracy, such as the payment or taking of bribes or kickbacks to obtain posts or secure promotion, or the mutual exchange of favours. This type of corruption is often referred to as “petty corruption”, reflecting the small payments often involved – although in aggregate the sums may be large.

Political corruption can be of two forms. The first one is which includes both accumulation and extraction and where government officials use and abuse their hold on power to extract from the private sector, from government revenues, and from the economy at large. Some of the examples of the above mentioned form of corruption are extraction, embezzlement, rent-seeking, plunder and even kleptocracy (“rule by thieves”).<sup>7</sup>

The second form of political corruption is one in which extracted resources (and public money) are used for power preservation and power extension purposes. This usually takes the form of favouritism and patronage politics. It includes a favouritist and politically motivated distribution of financial and material inducements, benefits, advantages, and spoils.<sup>8</sup>

**Table 3.**  
**Classification of Corruption Based on Source**

SOURCE/INSTRUMENT	ELITE/HEGEMONY	INTEREST GROUP POWER
POWER ABUSE	<u><b>Manipulation and Bribery:</b></u> <ul style="list-style-type: none"> <li>Obtaining government benefits</li> <li>Avoiding government costs</li> <li>Side payments, leakage, theft</li> </ul>	<u><b>Mafia and Factionalism:</b></u> <ul style="list-style-type: none"> <li>Manipulation of political access</li> <li>Exploitation of economic opportunities</li> <li>Danger of hand-over-first corruption</li> </ul>
	<u><b>Collusion and Nepotism:</b></u> <ul style="list-style-type: none"> <li>Blur boundaries between state and society, private and public</li> <li>Nouveau riche behavior</li> <li>Chronic, hyper-corruption spiral</li> </ul>	<u><b>Organized and Systemic Corruption</b></u> <ul style="list-style-type: none"> <li>Elite-controlled government</li> <li>Exploitation of economic interests</li> <li>Monopoly over patronage</li> </ul>

*Source: Modified from studies by Susan Rose-Ackerman of Yale University (1997), Michael Johnston of Colgate University (1997).*

<sup>7</sup> Ibid

<sup>8</sup> Ibid

## **Private Corruption and Collective Corruption, Case of Beef Import Policy in Indonesia**

In 2013 a bribery case involving a quota of beef imports involved former President of the Partai Keadilan Sejahtera (PKS) Lutfi Hasan Ishaq and as member of People Representative Council. He was arrested by Corruption Eradication Commission (Komisi Pemberantasan Korupsi/KPK) for receiving bribes IDR 1,300,000,000 (one billion three hundred millions rupiah) from the promised amount IDR 40,000,000,000 (forty billions rupiah). He received this bribes from Maria Elizabeth Liman (President Director PT Indoguna Utama). The purpose of the bribery with his position as a member of the Indonesian Parliament and as the President of the PKS to interfere the Indonesian Minister of Agriculture Suswono (also member of Majelis Syuro of PKS) to issue a letter of recommendation for admission approval upon additional request the beef import quota of 10,000 (ten thousand) tons for 2013 although quota is no longer available. This was submitted by PT. Indoguna Utama and its subsidiary, PT Sinar Terang, Utama, PT Nuansa Guna Utama, CV Cahaya Karya Indah and CV Surya Cemerlang. All of this companies suspected as members of cartel companies in beef trade in Indonesia.<sup>9</sup>

Four years later, Constitutional Court Judge Patrialis Akbar repeated the dark history of the beef import case. Patrialis received bribes from Australian beef importer related to material tests at the Constitutional Court against Law Number 41 of 2014 concerning Animal Husbandry and Health. This law regulates the import of livestock products, especially beef so as not to depend solely on Australia and New Zealand. This law is obviously with business and political dimensions. Rules for importing beef that initially country-based loosening into zone-based within must be free of foot and mouth disease (FMD). The impact is that in addition to imports from Australia and New Zealand, Indonesia can also import cattle and beef from India and Brazil. Basuki Hariman, director of CV Laut Sumber Perkasa as an importer of livestock products from Australia, did bribery of Patrialis to eliminate the law.<sup>10</sup>

Furthermore, it is still related to the beef import cartel, in April 2016 Business Competition Supervisory Commission (Komisi Pengawas Persaingan Usaha/KPPU)

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<sup>9</sup> Based on Putusan Mahkamah Agung No 1195 K/Pid.Sus/2014 , 15 September 2014

<sup>10</sup> Based on Majelis Kehormatan Mahkamah Konstitusi No. 001/MKMK-SPL/II/2017, 16 Feb 2017

sentenced 32 feedloters to charges of conducting cartel practices or business conspiracy. Thirty-two feedloters are considered to have conducted cartels through an agreement within the Indonesian Association of Feedloters (Apfindo). Reported parties were sentenced to pay fines that varied, ranging from IDR 71 million to IDR 21 billion. KPPU discovered the fact that there was an agreement made by the entrepreneurs facilitated by Apfindo.<sup>11</sup>

The quota regime for imports of food commodities is also prone to cause cartel practices, namely conspiracy in regulating the supply of food commodities to the market (supply cartel) or conspiracy in setting prices (price fixing) "said KPPU Chair Muhammad Syarkawi. The import quota regime creates an oligopoly food commodity market structure. This facilitates the practice of cartels that exploit markets at high prices to obtain excessive profits. This mode is very likely to occur if the import quota is administered in a conspiracy and not transparent (KPPU Annual Report, 2016).

From the various crimes committed in the case of beef import above it can be concluded that corruption occurs either privately or collectively. Weaknesses in the policy and beef trade system have resulted in the determination and distribution of import quota prone to collusion among entrepreneurs - politicians - bureaucrats (KPK Research and Development, 2013).

Observations as well as input from political theory have lead to a second analytically important classification of corruption, namely between *private* and *collective* forms of corruption. The degree to which the money or benefits collected through corruption is "privatised", is varying. It may be extraction for the benefit of an individual who will share nothing or very little of the benefits with his equals, or it may be extraction for a particular group with some coherence and unity.

The "private", individual and intimate nature of corruption is repeatedly underlined because of the illegal and surreptitious nature of corrupt transactions. The illegality and immorality of corruption necessitates a collusion or conspiracy between individuals, or at least a certain closeness and confidentiality. As noted, Méry called it a form of *secret* social exchange (Méry as cited in de Sardan 1999, p. 49). Furthermore, corruption is regarded as "private" or individual also because private benefits are sought and collected. Corruption holds some private benefit for the corrupt actor, his family or his close friends.

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<sup>11</sup> Based on Putusan KPPU No. 10/KPPU-1/2015, 1 April 2016

However, corruption may also be “collective”. First of all because corruption has a substantial economic effect in aggregate terms, but also because corruption may in itself be a deliberate way of resource extraction for the benefit of a larger group. Some definitions of corruption also emphasises the point that the rulers as a group or class, or as an institution or organisation, make unjustified use of their influence to extract resources for the benefit of the group as such. Many well-known and well documented cases of grand corruption has involved political parties (ruling parties in particular, but also prospective ruling parties), entire administrative bureaux, and national governments.

Corruption has a strong inclination for “collectivisation”. To keep quiet and gradually take part in the practice is usually much less costly than to blow the whistle, inform, and confront. A conspiracy between individuals is easily extended into a larger practice involving colleagues, partners, assistants, patrons and superiors. Instances of petty corruption may therefore develop into larger networks, cliques and medium-sized brotherhoods, and finally into large-scale institutionalised corruption if unchecked, if there is “room for manoeuvre”. (Amundsen, 1999).

## **Methods**

This article examines cartel stability based on a qualitative case analysis of beef import case between 2013 and 2018. This case is selected because the cartel practice in this case is repeated and is still happening. In this case, besides the cartelists also involving politicians and bureaucrats which privately or collectively carry out corruption due to regulatory loopholes.

Specifically, the qualitative approach chosen in this research. Qualitative research is a holistic approach that involves discovery. Qualitative research is also described as an unfolding model that occurs in a natural setting that enables the researcher to develop a level of detail from high involvement in the actual experiences. Quantitative research is the process of collecting, analyzing, interpreting, and writing the results of a study, while qualitative research is the approach to data collection, analysis, and report writing differing from the traditional, quantitative approaches (Creswell, 2015).

For obtain further information, I did literature review. A literature review surveys books, scholarly articles, and any other sources relevant to a particular issue, area of research, or theory, and by doing, provides a description, summary, and critical evaluation of these

works in relation to the research problem being investigated. So that the information obtained from the literature study is used as a reference to strengthen the existing arguments.

## **Results and Discussion**

The purpose of this study was to explore the weaknesses in the policy and trade system for beef imports is suspected in the determination and distribution of import quota prone to collusion. This collusion leads to political corruption committed by entrepreneurs - politicians – bureaucrats privately and collectively as seen in the case above.

Collective corruption was carried out by The President of PKS Lutfi Hasan Ishaaq and as member of People Representative Council to interfere Minister of Agriculture Suswono who is a member of the same party with The President of PKS Lutfi Hasan Ishaaq (also member of Majelis Syuro of PKS) to issue a letter of recommendation for admission approval upon additional request the beef import quota of 10,000 (ten thousand) tons for 2013 although quota is no longer available. This additional request submitted by PT. Indoguna Utama and its subsidiary, PT Sinar Terang, Utama, PT Nuansa Guna Utama, CV Cahaya Karya Indah and CV Surya Cemerlang. Favoritism in the awarding of government contracts and hiring and the passage of regulations and legislation to benefit certain groups or individuals. In some instances, favoritism toward friends, family, and political associates may cross the line into illicit activity, but such cronyism is often “politics as usual.” (Lessig, 2013).

Whereas private corruption is carried out by Constitutional Court Judge Patrialis Akbar with the intention to eliminate the law related to material tests at the Constitutional Court against Law Number 41 of 2014 concerning Animal Husbandry and Health. This law regulates the import of livestock products, especially beef so as not to depend solely on Australia and New Zealand. Basuki Hariman, director of CV Laut Sumber Perkasa as an importer of livestock products from Australia, did bribery of Patrialis to eliminate the law.

There are 3 findings on a study of beef commodity trading system policies conducted by the KPK (2013) : 1)The trade policy does not in small and medium scale farmers favor, 2) The trade policy does not lead to the development of the beef industry in centre of production, 3) Weaknesses in import policies and procedures due to the domination of rent-seeking and cartel practices.

As corruption spreads, the social acceptance of it may also increase. When it is generally understood that there is a climate of corruption, still more people will believe it is

inevitable and expected. In particular is corruption in high places contagious to lower level bureaucrats and other state agents, as these will follow the predatory examples of, or even take instructions from, their principals. It needs to establish the necessary involvement of the state and state agents in corruption, without any notion as to the level of authority where corruption takes place. Indonesia has implemented it by establishing KPK based on Law No. 30 of 2002 concerning the Corruption Eradication Commission and Law No. 31 of 1999 concerning *Eradication Of Corruption Criminal Act*.

It is also necessary to conduct government institutions to do investigations and/or examination on allegations of cases of monopolistic practices and/or unfair business competition. It has implemented by establishing KPPU for the purpose of implementing the Law Number 5/1999 concerning the *Prohibition of Monopolistic Practices and Unfair Business Competition*. Nevertheless KPPU only can impose administrative sanctions on business actors violating the provisions of this law.

## Conclusion

In this beef import cartel case, besides the existence of crime with price fixing, political corruption also involves entrepreneurs - politicians – bureaucrats. This is believed the result of inappropriate beef trade and import policies. In eradicating this, KPPU will not only play a role in eradicating the cartel, but also with the existence of the KPK, it will eradicate political corruption in the cartel. The most necessary and immediately should be done is the government do improvements to the rules on beef trade and import policies so these policies do not lead to the profit of cartel actors and raise the chance of rent-seeking.

The results of this study we can conclude that; *first* Inappropriate in the policy and trade system (quotas) for beef imports is suspected in the determination and distribution of import quota prone to collusion, domination of rent-seeking and the existence of cartel. *Second*, this collusion and rent-seeking lead to political corruption committed by politicians and bureaucrats privately or collectively by taking bribes from entrepreneurs. In return, politicians and bureaucrats make policy interventions to benefit entrepreneurs. *Third*, it needs to establish the necessary involvement of the state and state agents in corruption, without any notion as to the level of authority where corruption takes place.

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