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Authors	:	Mercy Maria Magdalena Setlight, Friend Henry Anis, Rudy Max Karel Mamangkey

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1 Protecting Local Coconut Oil of Lana Bango: 2 Challenges of Indonesian Competition Law

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16 **Abstract:**

17

18 The Regional Government of Sangihe Islands Regency, North Sulawesi, has designated Local
19 Coconut Oil in Sangihe Language called "Lana Bango" as a Regional Superior Product. This
20 study is a normative-legal research by using statute, case, and conceptual approaches. Data
21 were analyzed with descriptive qualitative analysis with content analysis. In this study, the
22 authors used the qualitative research method, which (in general) generates words rather than
23 numbers as data for analysis. The approach used is observation and interpretation, which
24 makes these phenomena observable. This paper provides information on the latest trend in
25 research. The results show that the optimization of the Lana Bango production program
26 must be carried out to support more profitable production prices for farmers. Local
27 governments need to pay attention to all existing regulations so that they do not tend to
28 violate regulations. Siding with the people should not be detrimental to other parties.
29 Hence, the solution that can be carried out by the Sangihe Islands Regency Government
30 when there is fluctuation in copra prices by optimizing other potentials of coconut plants.
31 Last but not least, there are not contrary to regulations concerning the Prohibition of
32 Monopolistic Practices and Unfair Business Competition.

33 **Keywords: Coconut Oil; Competition Law; Monopoly; Business Competition**

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35

36 **1. Introduction**

37 In Indonesia, the falling prices for several local commodities especially in
38 Kepulauan Sangihe district, North Sulawesi has severely hit purchasing power of
39 peoples and it impacted on the economic downturn.¹ One of affected local
40 commodities are Commodity Coconut (Coconut) with the main product is Copra.
41 In order to overcome this situation, the government of Kepulauan Sangihe district

¹ Disemadi, H. S., & Roisah, K. (2019). The Enforcement of Business Competition Law by the Police: An Indonesian Experience'. *Lentera Hukum*, 6(2), 203-212.

42 encourages the people of Kepulauan Sangihe district to re-activate the production
43 of local coconut oil.

44 The habituation of local coconut oil consumption or in the local language
45 of Sangihe is called “*Lana Bango*” is part of the program of “*Kembalikan*
46 *Sangiheku*” which was launched in May 2019 as part of the government’ efforts to
47 address public complaints due to lower copra prices. With the initial target that if
48 most of the Sangihe state civil servants used local coconut oil as cooking oil, this
49 program would significantly reduce the impact of the drop in copra prices and help
50 coconut farming communities.

51 As reported by a National Media, the Regent said that as an effort to support
52 the government’ support for coconut farmers, we are obliged to replace factory
53 cooking oil with coconut oil produced by the local community.² The purpose of this
54 support by using the term to promote the consumption of “*Lana Bango*” from public
55 servant by involving all public servant family members in Kepulauan Sangihe
56 district will spread to all levels of society and become a moral movement for
57 Sangihe people to consume local coconut oil (community consumption action for
58 local coconut oil) and reduce or even not buy manufactured coconut oil.

59 The policy of protection is a government policy to protect the growing
60 domestic industry (*infant industry*) and to protect new companies from large
61 companies from unfair competition, as well as to protect from competition for
62 imported goods.³ Newly established domestic industries usually have a high cost
63 structure, making it difficult to compete with foreign industries that have a low cost
64 structure (because they already have large economies of scale). This protection
65 provides opportunities for domestic industry to learn more efficiently and gives the
66 workforce the opportunity to acquire skills. Protection policies are usually
67 temporary. If one day the domestic industry is felt to be large enough and able to
68 compete with foreign industries, the protection will be eliminated.⁴

69 The program to optimize the consume of local coconut oil as launched by
70 the Regent of Kepulauan Sangihe is an innovative commitments in the field of
71 poverty alleviation for Sangihe coconut farming community who are greatly
72 disadvantaged by the fall in the commodity price of copra, which has resulted in
73 many coconut farmers not harvesting coconut tree fruit because the operational of
74 manufacture copra is much higher than the selling price of copra products in the
75 market, while on the other hand this action is based on Act No. 5 of 1999 concerning

² Republika. Source: <https://nasional.republika.co.id/berita/nasional/daerah/psx92n414/bupati-sangihe-ajak-pakai-lanang-bango-sebagai-minyak-goreng>

³ McWilliam, A. Historical reflections on customary land rights in Indonesia. *The Asia Pacific Journal of Anthropology*, 2006; 7 (1), 45-64.

⁴ Fox, Eleanor M. "Equality, discrimination, and competition law: Lessons from and for South Africa and Indonesia." *Harv. Int'l. LJ* 41 (2000): 579.

76 Prohibition of Monopolistic Practices and Unfair Business Competition, Article 10
77 will tend to result in a “boycott” of manufactured coconut oil products because the
78 community (including public servant and their families) as well as businessmen
79 will reduce and even not buy coconut oil because the Regent’ invitation delivered
80 at the official forum will become an unwritten regulation which is obligatory by
81 law to be obeyed by all public servant in Kepulauan Sangihe district because the
82 capacity of the Regent as personnel head and will also be implemented by
83 entrepreneurs because they often need access to the existing Government to
84 accelerates their business.

85 Due to the people’ purchasing power weakened because the decline in copra
86 prices, the poverty of Sangihe population rose from 11.80% in 2017 to 11.82% in
87 2018,⁵ therefore the Regent of Kepulauan Sangihe on many occasions at the
88 meeting forum ordered the community, public servant and business actor to
89 optimize local coconut oil consumption and reducing and stopping the supply of
90 manufactured coconut oil from outside Kepulauan Sangihe district.

91

92 **2. Method**

93 The research is a normative legal research using a statute, case, and
94 conceptual approaches.⁶ Data were analyzed with descriptive qualitative analysis
95 with content analysis. In this study, the authors used the qualitative research
96 method, which (in general) generates words rather than numbers as data for
97 analysis. The approach used is observation and interpretation, which makes these
98 phenomena observable. This paper provides information on the latest trend in
99 research.⁷

100

101 **3. The Regulation of the Prohibition of Anti-Monopoly and Unfair Business** 102 **Competition**

103 In business competition, there are business competition actors who can be
104 said to be the subjects and objects of business competition. The subjects in business
105 competition are sellers or producers and in this case produce or distribute an item,
106 while the object in business competition is the consumer, in this case the person

⁵ Barta News. <http://barta1.com/2019/03/15/angka-kemiskinan-sangihe-naik-002-helmud-hontong-bps-perlu-uji-validitas-data/>

⁶ Patton, M.Q., & Cochran, M. *A Guide to Using Qualitative Research Methodology*, Medecins Sans Frontieres, UK, 2007; 21

⁷ Roth, W.M. *Rigorous Data Analysis, Beyond “Anything Goes”*, Sense Publishers, Taipei, 2015; 36.

107 who uses or buys an item, business competition will be created if there are sellers
108 and buyers are almost equal.⁸

109 In a legal world, many terms are used in the field of competition law, such
110 as antimonopoly law and antitrust law. In Indonesia the term *Business Competition*
111 is officially used as stipulated in Act No.5/1999 concerning the Prohibition of
112 Monopolistic Practices and Unfair Business Competition. According to Arie
113 Siswanto, what is meant by the competition law is a legal instrument that
114 determines how competition should be done.⁹

115 Business competition law is a set of legal rules that regulate all aspects
116 related to business competition, which include things that can be done and things
117 that are prohibited from being done by business actors.¹⁰ Whereas, in the Economic
118 Dictionary written by Christopher Pass and Bryan Lowes,¹¹ the competition law is
119 part of the legislation regulating monopolies, mergers and acquisitions, restrictive
120 trade agreements and anti-competitive practices. The domain of business
121 competition law is matters relating to the behavior of business actors in performing
122 their business activities, so that the business being done does not harm the interests
123 of other people or parties (general) and is in line with the objectives to be achieved.

124 The legal basis of a fund or business actor exercising its activities is an
125 agreement. An agreement is an event where a person promises to another person or
126 where the two people promise to do something.¹² In another sense, an agreement is
127 an act of one or more business actors to bind themselves to another business actor
128 under any name, whether written or unwritten. According to the Civil Code in
129 Article 1313 it means that an agreement is an act whereby one or more people bind
130 themselves to one or more people.¹³ In principle, in essence there is no meaningful
131 act, it is just that in the law the definition given explicitly states the business actor
132 as the legal subject, namely any person, individual or business entity, whether in
133 the form of a legal entity or not, which is established and domiciled or exercise
134 activities within the territory of the Republic of Indonesia either individually or
135 collectively by means of an agreement.¹⁴

⁸ Arie Siswanto, *Hukum Persaingan Usaha*, Jakarta: Ghalia Indonesia, 2004, p.2

⁹ Bedner, A., & Van Huis, S. The return of the native in Indonesian law: Indigenous communities in Indonesian legislation. *Journal of the Humanities and Social Sciences of Southeast Asia*, 2008; 164 (2), 165-193.

¹⁰ Hermansyah, *Pokok-Pokok Persaingan Usaha di Indonesia*, Jakarta: Kencana, 2008, p.2

¹¹ Christopher Pass dan Bryan Lowes, *Kamus Lengkap Ekonomi*, Jakarta, Penerbit Erlangga, 2000, p.76

¹² Syahmin, *Hukum Dagang Internasional*, Jakarta, 2006, p.52

¹³ R Nugraheni, N. (2020). Crowdfunding-Based Fiduciary Warrant in Providing Capital Loans for Small and Medium Enterprises. *Hasanuddin Law Review*, 6(3), 224-231. doi: <http://dx.doi.org/10.20956/halrev.v6i3.2201>

¹⁴ Ahmad Yani & Gunawan Widjaja, *Seri Hukum Bisnis, Anti Monopoli*, Jakarta, Raja Grafindo Persada, 1999, p.21

136 In general, an agreement is defined as an event where two people or two
137 parties promise each other to do something. This general understanding is not much
138 different from the definition of an agreement in the Big Indonesian Dictionary
139 which states that an agreement is an agreement (written or oral) made by two or
140 more parties, each of which agrees to comply with what is stated in the agreement.¹⁵

141 Explicitly, in article 1338 paragraph (1) of the Civil Code states that in
142 principle all agreements made legally bind the parties that make them and apply as
143 law for them, and as a consequence the agreements agreed upon by both parties
144 cannot be withdrawn by one of the parties to the agreement unless the withdrawal
145 or revocation finds the law applicable to the parties who made the agreement.¹⁶

146

147 **4. A Perspective of Business Law for Determining a Regional Superior** 148 **Product of Kepulauan Sangihe District**

149 As the regulation of the Minister of Domestic Affairs No. 9 of 2014
150 concerning Guidelines for the Development of Regional Superior Products, Article
151 2 states that Regional Superior Products, hereinafter referred to as PUD (*Produk*
152 *Unggulan Daerah*), are products both in the form of goods and services that
153 produced by cooperatives, small and medium scale businesses that have the
154 potential to developed by utilizing all the resources owned by the region both
155 natural resources, human resources and local culture, as well as generating income
156 for the community and the government which is expected to become an economic
157 strength for the region and the local community as a potential product that has
158 competitiveness, selling power, and the drive to and be able to enter global markets.
159 In addition, the economic potential needs to be optimally developed into regional
160 superior products that are competitive and can improve the welfare of the
161 community according to conditions and peculiarities.

162 Local coconut oil of Sangihe is a habit of Sangihe communities to utilize
163 the potential of the local coconut plant (coconut) and is made into coconut oil and
164 used as a liquid for frying fish, vegetables and other dishes and has been a culture
165 for a long time. In fact, it is estimated that in the decade of the 60s to 80s, Sangihe
166 communities did not buy manufactured coconut oil because they only knew coconut
167 oil that was cooked by them and/or bought coconut oil made or cooked by their
168 neighbors. Indeed, the main obstacle of the local homemade coconut oil that is made
169 or cooked by the community cannot last long, because it is only a few days old, the
170 coconut oil will smell rancid and unpleasant and if it is used for cooking it will taste
171 bad and mixed with the rancid taste. would be very annoying, and based on the

¹⁵ Hermansyah, *Op. Cit*, p.24

¹⁶ Suharnoko, *Hukum Perjanjian Teori dan Analisis Kasus*, Prenada Media, Surabaya, 2015, p.15

172 results of the research, the rancid smell comes from high water content that cannot
173 be filtered at that time.

174 In addition to hitting the economic capacity and purchasing power of the
175 Sangihe people, the fluctuation in copra prices has a positive impact on those who
176 are creative and full of innovation. Coconut farming communities who felt the
177 direct impact of the fall in prices did not harvest coconuts to be used as copra
178 because the price of copra in the market was much cheaper and it is not comparable
179 to the operational costs of making copra. For this situational, by the initiation of the
180 village government, such as Bumdes (Badan Usaha Milik Desa / *Village-Owned*
181 *Enterprises*) began to remake Local Coconut Oil “*Lana Bango*” because based on
182 calculations at that time, the selling price of “*Lana Bango*” was more profitable
183 than making copra. If produce 1 Kg of copra, it need 6 coconuts with a selling price
184 of IDR 500 to 700, while if produce “*Lana Bango*”, it need 9 coconuts to produce
185 1 liter of coconut oil with a selling price of IDR 12.000, this is more profitable,
186 therefore the village of Kalekube 1, through Bumdes (Badan Usaha Milik
187 Desa/*Village-Owned Enterprises*), began making “*Lana Bango*”.

188 By optimizing the program in the field of agriculture, through the Regional
189 Agriculture Office of Keplauan Sangihe district, assistance has been sought from
190 the Ministry of Agriculture of the Republic of Indonesia in the form of a set of
191 equipment for making local coconut oil in Utaurano village, North Tabukan district;
192 it now started produce local coconut oil “*Lana Bango*.” Utaurano village through
193 Bumdes “*Sengkanaung*” has made serious communication with several villages
194 around them, including with Kalekube 1 to start producing crude coconut oil and
195 later it will be purchased by Bumdes Utaurano village to be managed and turned
196 into local coconut oil production with higher quality both from coconut oil
197 manufacturers such as Bimoli and Filma.

198 The efforts of the government of Kepulauan Sangihe to produce Local
199 Coconut Oil “*Lana Bango*” as a Regional Superior Product (PUD – *Produk*
200 *Unggulan Daerah*) is a strategic effort to accelerates the economy of communities
201 by involving all State Civil Servants in Kepulauan Sangihe district as consumers or
202 buyers of coconut oil “*Lana Bango*”, and even the Regent had campaigned during
203 the “*Launching of Lana Bango*”, so that all public servant in Kepulauan Sangihe
204 district did not have to buy manufactured coconut oil from Manado and appealed
205 to all sellers in stalls and supermarkets throughout Sangihe not to sell manufactured
206 coconut oil such as Bimoli, Filma, etc and maintain the continuity of sales of “*Lana*
207 *Bango*” coconut oil so that it can be bought so that the people and Bumdes in the
208 village continue to produce “*Lana Bango*” because they have a potential market,
209 which in turn will increase the economy and purchasing power of communities.

210 If related to Act No. 5 of 1999 concerning Prohibition of Monopolistic
211 Practices and Unfair Business Competition, as regulated in Article 4 to 16, the
212 efforts of the government of Kepulauan Sangihe district cannot be categorized as
213 monopolistic actions or conducting unfair business competition, because it was
214 solely carried out to improve the economy of Sangihe communities which was
215 slumped due to the fall in copra prices, and this was temporary and what Kepulauan
216 Sangihe district (the regent) did through a campaign to public servant and appeals
217 to these business actors was not in the form of good legal products. The local
218 regulations, Regent regulations are only the regent decree to determine Sangihe
219 Local Coconut Oil “*Lana Bango*” as a regional superior product, and this effort is
220 incidental because legally there are no sanctions for all public servant and business
221 actors in Sangihe if they do not buy the product, even if there are only moral
222 sanctions for not attend to the appeal of the government, so that if there are business
223 actors who have objections or sue to court then this will only waste energy in vain.

224

225 **5. Conclusion**

226 If there is a fluctuation in copra prices, the government of North Sulawesi
227 district has a simple and optimal strategy, by diversifies its derivative products of
228 Sangihe coconut, which were previously only in the form of copra products towards
229 the manufacture of local coconut oil “*Lana Bango*” which has been designated as a
230 Regional Superior Product (PUD – *Produk Unggulan Daerah*). Kepulauan Sangihe
231 district, there are even Bumdes (Badan Usaha Milik Desa - *village-owned*
232 *enterprises*) received government assistance and have started to develop local
233 coconut oil with good packaging, there are also made business diversification in the
234 form of white copra which is much more competitive.

235 The efforts of the government of Kepulauan Sangihe district to give an appeal to
236 all public servant to buy local coconut oil “*Lana Bango*” and not buy manufactured
237 coconut oil is not an act contrary to the regulations on the Prohibition of
238 Monopolistic Practices and Unfair Business Competition because this directive is
239 temporary (not permanent in form of regulation or decision), as anticipatory steps
240 to secure the economy of communities.

241

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