

## Managing Foreign Product Trade Impact: Indonesia's Strategic Sovereignty and the Case of TikTok Shop

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**Abstract:** This study examines state sovereignty in the regulation of the impact of foreign product trade, specifically analyzing Indonesia's strategic steps toward the existence of TikTok Shop through the issuance of Ministry of Trade Regulation No. 31 of 2023. State sovereignty is recognized as full authority that cannot be interfered with by foreign powers, serving as the basis for international interactions. The TikTok Shop phenomenon reflects the optimization of online buying and selling, facilitating transaction processes. The role of social media, especially TikTok, plays a significant part in enhancing business performance, particularly for small businesses. However, the Indonesian government responded by closing TikTok Shop to protect micro, small, and medium enterprises and user data.

**Purpose:** This research aims to analyze the conflict of interest between the state and social media platforms that provide trading services, as well as the establishment of strategic steps as an expression of state sovereignty in regulating all forms of trade in Indonesia, particularly through the case of the closure of TikTok Shop in Indonesia.

**Design/Methodology/Approach:** This research is descriptive qualitative. The primary data analyzed were obtained from legal instruments such as legislation, ministerial regulations, and similar official rules issued by

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the government. The secondary data consisted of articles collectively obtained to gain an understanding of the causes, effects, and implications of the closure of TikTok Shop as a consequence of state sovereignty in regulating trade within the country.

**Findings:** The results of the study indicate that in a global context, international cooperation remains important, and Indonesia strives to maintain its national legal sovereignty while contributing to global digital trade standards. In the face of various perspectives and impacts, the closure of TikTok Shop is interpreted as a governmental measure to protect national interests and exercise its legal sovereignty.

**Originality/value:** This study makes a significant contribution to the existing literature by exploring the dynamics between state sovereignty and digital trade regulation in the context of Indonesia. It emphasizes the importance of balancing national legal sovereignty with participation in global digital trade standards, offering valuable insights for policymakers and academics in understanding the implications of trade regulation in the digital era.

**Keywords:** State Sovereignty; Marketplace; Minister of Trade Regulation; TikTok Shop; Micro, Small, and Medium Enterprises

**Paper Type:** Article-Research

## **Introduction**

State sovereignty is recognized as a principle that reinforces the full authority of a state, which cannot be interfered with by any foreign state or power (Lestari and Risnain 2020). This principle is viewed as a fundamental asset, the main principle, and an ethical code forming the foundation of international interactions between states. Initially, the concept of state sovereignty was understood as an absolute that could not be challenged by foreign powers, based on the principles of territorial sovereignty, reciprocity, and equality among sovereign states (Lubis 2020). Consequently, a state cannot be judged for its actions, even if those actions are

carried out in the territory of another state (*par in parem non habet jurisdictionem*).

However, changing times and technological advancements have significantly impacted this concept. Technological developments, particularly in the field of trade, have created new phenomena that alter the way interactions occur between states and individuals (Bangsawan 2023). Today, the process of acquiring goods can be carried out quickly and efficiently through online trading platforms (Maharani 2024), such as those offered by TikTok Shop. This phenomenon reflects a shift in the paradigm of international trade, where digital technology plays a key role in facilitating cross-border transactions.

With the advent of online trading platforms, the process of ordering goods has become easier and more efficient, reducing the potential for human error that might occur in traditional processes. This creates new opportunities to enhance effectiveness and efficiency in international trade activities (Riyanto 2012). However, these changes also raise various new questions and challenges related to regulation, consumer protection, and data security, which demand serious attention from governments and industry players in facing the rapidly evolving era of digital trade. It is essential to continuously evaluate and adapt the concept of state sovereignty to remain relevant and effective in addressing new dynamics in international relations, influenced by technological advancements and economic globalization. Collaborative efforts between countries and stakeholders are crucial in formulating appropriate regulations and policies to manage the impacts of these changes, while ensuring that the fundamental principles of state sovereignty are maintained and respected in the increasingly digitally connected era of global trade.

In the current era of globalization, the role of social media has become increasingly important in enhancing business

performance, especially for sellers. The significant contribution of social media in this context has been documented (Herdiyani et al. 2022), highlighting its substantial impact, particularly on small businesses. Social media has transformed interactions between buyers and consumers, and redefined product or service marketing strategies to be easier, more effective, and efficient. The main objective is to increase business profits and productivity. Amidst the proliferation of various e-commerce platforms operating in Indonesia, TikTok stands out as one of the applications capitalizing on significant opportunities in the business realm. This application has become a favored digital marketing tool for many entrepreneurs, particularly young business owners. It is important to note that TikTok's presence in Indonesia is not new, as the application was introduced in 2018 (Budi Dharma and M. Rafiq Efrianda 2023). However, in that year, the Ministry of Communication and Information Technology (KOMINFO) had to block TikTok due to its content, as reported by Ant & Dbs in 2019. This blocking action was based on the regulations stipulated in Permendag No. 50 of 2020, which was an enhancement of Permendag No. 31 of 2023 concerning e-commerce regulations in Indonesia.

This study aims to analyze the conflict of interest between the state and social media platforms providing trading services, as well as the establishment of strategic measures as an expression of state sovereignty in regulating all forms of trade in Indonesia, particularly through the case of the closure of TikTok Shop in Indonesia. This analysis includes considerations of issues such as content control, e-commerce regulation, and consumer protection. The controversy surrounding the closure of TikTok Shop highlights the complexity of managing conflicting interests between the state and social media platforms. On one hand, the Indonesian government has the responsibility to protect its citizens from potentially harmful content and to maintain the

security and stability of the national economy. On the other hand, social media platforms like TikTok have an interest in maintaining their operations and optimizing profits from the trading services they provide. There is a need for constructive dialogue between the government and social media platforms to achieve an appropriate balance between regulation and business freedom. The government must take steps consistent with national laws and policies while considering the social and economic impacts of the decisions made. Conversely, social media platforms must also consider their social responsibilities in providing safe and beneficial services for their users. Policy analysis and collaboration among various stakeholders, including the government, industry, and civil society, are necessary to address the complex challenges related to social media and e-commerce regulation. With a holistic and sustainable approach, Indonesia can develop an appropriate framework to manage the dynamics of digital trade in the era of globalization while ensuring that state sovereignty is upheld and preserved.

#### **Methods**

This study adopts a qualitative descriptive approach. The primary data analyzed were obtained from legal instruments such as legislation, ministerial regulations, and similar official rules issued by the government. Secondary data consisted of articles collectively gathered to understand the causal relationships and implications of the closure of TikTok Shop as a consequence of state sovereignty in regulating trade within it.

#### **Discussion and Findings**

State sovereignty is a fundamental principle in international law affirming that a state has full authority to regulate affairs within its territory without interference from foreign entities. This concept serves as a primary foundation in designing policies that affect the entry of foreign products into domestic markets (Riyanto 2012). In the context of trade regulation, state sovereignty is

interpreted as a state's ability to exercise its authority without external interference. Regulation of the impacts of foreign product trade is one governmental effort to control the economic, social, and security effects of imported foreign products (Mahadiansar et al. 2021). These regulations aim to protect domestic industries, promote economic growth, and safeguard societal well-being (Aprita and Adhitya 2020). At the national level, such regulations reflect a state's efforts to maintain its economic sovereignty. In the context of digital trade, TikTok Shop has played a strategic role in enhancing business performance, especially for micro and small-medium enterprises (MSMEs). This phenomenon reflects a transformation in consumer behavior increasingly reliant on online transactions for daily needs (Erliyani and Afiaf 2023). The issuance of Ministry of Trade Regulation No. 31 of 2023 by the Indonesian government can be considered a strategic response to the existence of TikTok Shop. Protection of MSMEs is a crucial aspect of trade regulation. This policy aims to sustain MSMEs as the backbone of the national economy (Puspita Sari 2022). The issuance of regulations such as Ministry of Trade Regulation No. 31 of 2023 demonstrates the Indonesian government's commitment to protecting and supporting the development of MSMEs in the era of global trade.

The new regulations implemented in Ministry of Trade Regulation No. 31 of 2023 encompass several critical aspects in regulating trade through electronic systems, particularly in the Marketplace and Social-Commerce business models (see Table 1). The definitions of these business models are elaborated in detail. Marketplace is described as a provider where some or all transaction processes occur within the Electronic System, whether through websites or commercial applications. This Marketplace serves as a platform for Merchants to list offers of Goods and/or services. Meanwhile, Social-Commerce is defined as social media operators that provide specific features to enable Merchants to list

offers of Goods and/or services. Furthermore, the regulation governs the establishment of minimum prices for Goods on Electronic Systems for Merchants selling finished Goods directly from abroad to Indonesia. The minimum price is set at Freight on Board (FOB) USD 100 per unit. The regulation also includes the provision of a Positive List, which is a list of foreign-origin Goods allowed to enter Indonesia directly through electronic trading platforms. Although not yet finalized, this indicates efforts to clarify regulations concerning imported goods. Additionally, there is an obligation for electronic trading operators regarding evidence of compliance with standards or technical requirements for Goods and/or services. Compliance with these standards includes Indonesian National Standards or other mandatory technical requirements, standards or technical requirements in the country of origin, and halal certification for Goods required to have halal certification.

Based on Table 1, the regulation also restricts the rights and authorities of electronic trading operators, where Electronic Trading Platforms (ETPs) using the Marketplace business model are prohibited from acting as producers according to statutory provisions. Meanwhile, ETPs with the Social-Commerce business model are prohibited from facilitating payment transactions on their Electronic Systems. Lastly, there is an obligation for electronic trading operators regarding data control and affiliation. ETPs must ensure there is no connection or interconnection between their Electronic Systems used within their platform and other electronic systems outside of their platform, and prevent misuse of user data control for the benefit of ETPs and/or affiliated companies. These new regulations signify the government's efforts to provide a clear and detailed framework for regulating electronic trading, aimed at maintaining national sovereignty, protecting MSMEs, and ensuring fairness and healthy competition in the digital market.

**Tabel 1. Ministry of Trade Regulations on Marketplaces in Indonesia**

<b>Additional Regulations</b>	<b>Permendag 31 Tahun 2023</b>
Definition of Business Models for Electronic Trading Platform Operators (ETPOs): Marketplace (Lokapasar) and Social-Commerce	Marketplace (Lokapasar) is a provider that facilitates partial or entire transaction processes within an Electronic System, such as commercial websites or applications, serving as a platform for Merchants to offer Goods and/or services (Article 1 paragraph 13). Social-Commerce is a social media operator providing specific features, menus, and/or facilities enabling Merchants to offer Goods and/or services (Article 1 paragraph 17).
Establishment of Minimum Price for Goods on Electronic Systems for Merchants selling finished Goods directly from abroad to Indonesia	The minimum price for Goods is set at Freight on Board (FOB) USD 100 (one hundred United States Dollars) per unit.
Provision of a Positive List: a list of foreign-origin Goods permitted for direct Cross-Border entry into Indonesia	(Currently in the drafting process)



through electronic trading platforms	
Evidence of Compliance with Standards or Technical Requirements for Goods and/or services	<p>a. Compliance with Indonesian National Standards or other technical requirements for Goods and/or services that are mandated by Indonesian National Standards or other technical requirements according to statutory regulations;</p> <p>b. Compliance with standards or technical requirements in the country of origin for Goods and/or services that have not yet been mandated by Indonesian National Standards or other technical requirements;</p> <p>c. Halal certification for Goods and/or services that are required to be halal certified according to statutory regulations (Article 5 paragraph 4).</p>
Restriction of rights and authorities of ETPOs	<p>ETPOs with Marketplace (Lokapasar) and/or Social-Commerce business models are prohibited from acting as producers according to statutory regulations in the field of Goods distribution. ETPOs with Social-Commerce business models are prohibited from facilitating payment transactions within their Electronic Systems (Article 21 paragraphs 2 and 3).</p>

Obligations of ETPOs regarding data control and affiliation	In maintaining fair competition, ETPOs must ensure: a. There is no connection or interconnection between the Electronic System used as an ETPO facility and other Electronic Systems used outside the ETPO facility; and b. There is no misuse of user data ownership to benefit ETPOs and/or affiliated companies within their Electronic Systems (Article 13 paragraph 3).
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The complexity of the impact of foreign trade in goods poses challenges for many countries, including Indonesia, particularly in the increasingly expansive digital trade era. In addressing these dynamics, the Indonesian government has taken strategic steps by issuing Regulation No. 31 of 2023. This initiative aims to safeguard the country's economic sovereignty and protect the interests of SMEs amid intensifying global competition. Regulation No. 31 of 2023 focuses on the existence of TikTok Shop and introduces new regulations concerning Electronic Trading Platform Operators (ETPOs), particularly in the forms of marketplaces (Lokapasar) and Social-Commerce. Lokapasar is defined as a platform where transaction processes, whether partially or entirely, occur electronically. These platforms include commercial websites or applications that serve as venues for merchants to offer goods and/or services to consumers. On the other hand, Social-Commerce refers to social media operators that facilitate the offering of goods and/or services through specific features.

The regulation introduced in this Ministry of Trade decree has a clear objective, namely to provide detailed guidance on e-

commerce businesses and to sustain SMEs in Indonesia. One crucial aspect of this regulation is the establishment of clear definitions for ETPO business models, thereby facilitating understanding and implementation for business operators and service users. Furthermore, Ministry of Trade Regulation No. 31 of 2023 also includes measures aimed at enhancing transparency and fairness in digital trade. This is reflected in the government's efforts to ensure that electronic trading platform operators not only operate fairly but also comply with established standards and technical requirements.

One crucial aspect of this regulation is the obligation imposed on ETPO operators to ensure that there is no connection or interconnection between the electronic systems they use and other electronic systems outside their platforms. This is intended to prevent potential misuse of user data and to ensure that business competition occurs in a healthy and fair manner. In order to sustain SMEs, this Ministry of Trade regulation also regulates the restriction of rights and authorities of ETPO operators. ETPOs with Lokapasar business models are prohibited from acting as producers according to provisions in the regulations governing the distribution of goods. Meanwhile, ETPOs with Social-Commerce business models are prohibited from facilitating payment transactions on their electronic systems. One crucial aspect addressed in this regulation is the establishment of minimum prices for imported goods from abroad. ETPOs selling finished goods from abroad to Indonesia are required to set a minimum price of Freight on Board (FOB) USD 100 per unit. This step is taken to protect local businesses from unfair competition and to provide fairness in the domestic market. In addition to setting minimum prices, the government is currently in the process of compiling a Positive List, which is a list of foreign-origin goods allowed to enter Indonesia directly through electronic trading platforms. The compilation of the Positive List

is ongoing and considers evidence of compliance with established standards or technical requirements. Standards considered include Indonesian National Standards as well as technical standards in the country of origin of imported goods. Furthermore, halal certification is also an important consideration in accordance with applicable regulations.

establishing a Positive List, the government aims to regulate the entry of imported goods in a more targeted and controlled manner. This is expected to reduce the negative impacts of foreign goods imports on local industries and ensure that products circulating in the domestic market meet established standards of quality and safety. The introduced regulations also include restrictions on the rights and authorities of ETPOs to prevent the concentration of power that could potentially harm other businesses. The Lokapasar business model is prohibited from acting as a producer in the distribution of goods, while the Social-Commerce model is prohibited from facilitating payment transactions within their electronic systems. These measures are primarily aimed at maintaining fair and healthy business competition. Restrictions related to data ownership and affiliation are designed to prevent the misuse of user data that could benefit ETPOs and/or affiliated companies. ETPOs are required to ensure that there is no connection or interconnection between the electronic systems they use as platforms for electronic trading and other electronic systems outside these platforms. The regulation also prohibits the misuse of user data for the benefit of ETPOs and/or affiliated companies. Thus, the measures outlined in Regulation No. 31/2023 reflect Indonesia's government efforts to manage the impacts of foreign product trade, protect the interests of SMEs, and safeguard the economic sovereignty of the nation.

The regulation represents a strategic response to the increasingly complex dynamics of global trade, demonstrating Indonesia's commitment to directing digital economic growth in

line with national interests. In an era where digital trade is becoming ever more crucial, regulations such as Regulation No. 31/2023 serve as a critical foundation for creating a fair, transparent, and sustainable trading environment for all stakeholders involved. Therefore, it is expected that this regulation will provide a robust framework for the development of digital trade in Indonesia, while ensuring that national interests and the protection of SMEs remain top priorities.

#### **International Perspectives on Policy Implementation**

In the context of trade law in Indonesia, the state has the right and obligation to regulate and control all forms of trade occurring within its territory (Melatyugra 2018; Priyono 2018; Sumartini 2017), including trade conducted through digital platforms such as TikTok Shop. National law provides full authority to the government to establish and enforce its own rules, enabling control and oversight in line with national policy and domestic needs. A concrete manifestation of this legal sovereignty is the state's ability to shut down digital trading platforms like TikTok Shop in cases of violations of applicable regulations. This step not only reflects Indonesia's legal sovereignty but also enforcement of rules related to tax implementation, consumer protection, and data security. Enforcement of regulations on digital trading platforms is crucial in maintaining economic and legal sovereignty of a country (Rohmat 2022). Implementing stringent and clear rules, the Indonesian government ensures that all trading activities, both local and international, comply with established standards and regulations. This includes the enforcement of fair taxation, which serves as a critical source of national revenue and contributes to financing various development programs.

Consumer protection also becomes a primary focus in digital trade regulations. The government bears the responsibility to ensure that consumers are protected from unfair and risky

trading practices. This includes oversight of the quality of goods and services traded, transparency of information, and effective dispute resolution mechanisms (Devi and Simarsoit 2020; Fista, Aris Machmud, and Suartini 2023). Additionally, consumer data security is prioritized in this digital era. Through stringent policies on data management and protection, the government strives to prevent misuse of personal information that could harm consumers. While Indonesia endeavors to uphold its legal and economic sovereignty through domestic regulations, international cooperation remains an indispensable element. Digital trade is cross-border by nature, thus standards and regulations in one country can impact others. Therefore, Indonesia needs to actively engage in international forums to contribute to the development of global digital trade standards. Participation in international cooperation allows Indonesia to influence the formation of fair global policies that align with national interests. International cooperation also aids in addressing challenges arising from globalization and digitalization of trade. By joining alliances and international organizations, Indonesia can share knowledge, resources, and technology with other countries. This not only strengthens Indonesia's position in the global economy but also assists the country in adopting best practices and the latest innovations in digital trade regulations.

Various foreign media outlets have highlighted the implementation of the TikTok Shop closure policy in Indonesia, presenting diverse perspectives ranging from criticism to support, including viewpoints from traders. The policy's implementation has captured international media attention, resulting in numerous articles discussing its impacts. For instance, in an article titled "Chinese-owned TikTok to stop sales in Indonesia after social media transaction ban," the South China Morning Post (SCMP) stated that the closure of TikTok Shop aims to protect offline traders from "predatory" pricing practices that threaten the

sustainability of micro, small, and medium enterprises (MSMEs) in Indonesia (South China Morning Post 2023). The SCMP article underscores that this policy intends to safeguard offline traders who often struggle to compete with the lower prices offered by sellers on social media platforms. This move is seen as Indonesia's effort to create a fair and equitable trading environment while maintaining the sustainability of MSMEs, which are crucial to the national economy.

TikTok Indonesia has criticized this closure policy, stating that it could harm millions of Indonesian sellers who use the platform as their primary means to sell their products. TikTok emphasizes that while they respect local laws, this closure will negatively impact many small traders who rely on TikTok Shop to reach a broader market. In their statement, TikTok Indonesia underscores that companies failing to comply with the ban on social media transactions will first be issued warnings and subsequently risk losing their operating licenses in Indonesia if they continue to violate these rules (South China Morning Post 2023). These viewpoints reflect the complexity of the policy, where a balance must be struck between protecting local traders and adapting to the dynamics of digital trade. Foreign media outlets have reviewed various perspectives, ranging from economic impacts to social implications of this policy. Some media support Indonesia's government measures, arguing that this is an effective way to safeguard the local market from foreign companies' dominance that could threaten MSME sustainability. They argue that this policy represents a concrete manifestation of economic sovereignty, enabling the state to regulate and control trade within its jurisdiction in line with national interests.

Conversely, several media outlets and observers have criticized this policy, arguing that the closure of platforms like TikTok Shop could stifle innovation and reduce small traders' access to global markets. They contend that the government

should seek a more balanced solution, such as enhancing regulation and oversight, without resorting to total closures that could result in economic losses for many stakeholders. Upon further analysis, the closure policy of TikTok Shop in Indonesia can be viewed as part of broader efforts to regulate digital trade and ensure that all market participants, both domestic and international, operate within a fair and transparent legal framework. Through this policy, Indonesia demonstrates its commitment to protecting MSMEs and maintaining economic sovereignty, while striving to adapt to the developments of global digital trade.

The Star, a Malaysian media outlet, noted that TikTok, which previously advocated for its security in various countries, suffered a significant setback with the closure of TikTok Shop in Indonesia. In an article published by The Star, it was reported that the short-video app TikTok would cease transactions on its platform in Indonesia starting Wednesday (4/10/2023) (The Star Malaysia 2023), following Southeast Asia's largest economy banning direct sales through social media platforms last week. This policy was enacted to protect millions of small businesses operating in the country. The new regulations are seen as a setback for TikTok, which has faced stringent scrutiny in recent months in the United States and other countries regarding user data security and allegations of corporate ties with Beijing (The Star Malaysia 2023).

The closure of TikTok Shop in Indonesia illustrates the challenges faced by social media platforms in navigating varying regulations across different countries. TikTok, which has made concerted efforts to prove the security of its data and distance itself from Chinese government influence, now confronts stringent regulations in Indonesia directly impacting its business model. This step indicates that countries are increasingly vigilant against the dominance of foreign digital platforms and their impacts on



the local economy. The policy closure not only affects TikTok as a company but also millions of users in Indonesia who rely on the platform to conduct their businesses. Small sellers who have used TikTok Shop to reach a broader market now must seek alternative means to continue operations. In this context, Indonesia's government decision is seen as an effort to protect small businesses from what is perceived as unhealthy competition with major global players. However, the policy has also drawn criticism from various quarters. Some analysts argue that closing TikTok Shop may not be fully effective in protecting small businesses and could hinder innovation and digital economic growth in Indonesia. They emphasize the need for a more balanced approach that not only protects local interests but also enables healthy integration with the global market. At the same time, the closure of TikTok Shop reflects Indonesia's strategic move to maintain economic sovereignty and protect its domestic market from excessive external influences. This aligns with global trends where countries are tightening regulations on foreign digital platforms to ensure data security, consumer protection, and support for local industry growth.

In a report titled "TikTok to halt online sales in Indonesia after social media ban," BBC International News informs that Indonesia will cease transactions on TikTok Shop starting Wednesday, October 4, 2023 (Oi 2023). This decision is made in response to the ban on direct sales via social media platforms, aimed at protecting thousands of small businesses in Indonesia. This step reflects the Indonesian government's efforts to regulate the digital trade ecosystem to ensure that SMEs are not marginalized by trading practices conducted by large platforms like TikTok.

Indonesia is known as one of the largest markets for TikTok Shop globally and was the first country to introduce this e-commerce service. The popularity of TikTok Shop in Indonesia

underscores high digital technology adoption among local consumers and merchants. However, with the increasing dominance of this platform, concerns have arisen that unhealthy competition could harm local businesses. The Indonesian government argues that these regulations are necessary to create a balance between major players and small businesses in the domestic market. According to a BBC report, the Indonesian government stated that these regulations aim to help protect local retailers, both physical and online operators. This policy is expected to provide space for SMEs to grow and thrive without having to compete with the "predatory" pricing often offered by large platforms. Thus, this step is seen as essential economic protection for the sustainability of small businesses amid the rise of digital trade. In addition to protecting SMEs, the policy to close TikTok Shop is also expected to strengthen Indonesia's economic sovereignty. In the era of globalization, a country's ability to regulate trade within its borders is becoming increasingly important. This closure demonstrates Indonesia's efforts to maintain control over economic activities in the digital realm while ensuring that the regulations implemented can balance national interests with global dynamics. BBC also highlights that this decision poses a significant challenge to TikTok, which has faced various issues in other countries regarding data security and its relationship with the Chinese government (Oi 2023). In the United States and European countries, TikTok has been under strict scrutiny regarding how user data is managed and protected. The ban in Indonesia adds to the list of countries taking firm actions against the operations of this platform, emphasizing the importance of adaptation and compliance with local regulations for global companies.

Indonesia's decision to close TikTok Shop is not only a protective measure but also a signal to other platforms about the importance of complying with local regulations. In a broader

context, this highlights the need for more coordinated international regulations to address challenges arising from cross-border digital trade. International cooperation in establishing fair and transparent standards can help create a more balanced and sustainable ecosystem for digital trade. In the context of e-commerce regulatory orientation, the closure of TikTok Shop reflects Indonesia's sovereignty in regulating trade and protecting local commerce. The state possesses full rights and authority to regulate and control trade activities, including those conducted through digital platforms like TikTok Shop. National legal sovereignty empowers Indonesia to establish trade rules, enabling the government to regulate and control trade activities in accordance with established national policies. This policy demonstrates the government's ability to enforce established regulations. For example, the closure of TikTok Shop in cases of violating digital trade rules or specific legal aspects demonstrates Indonesia actively asserting its legal sovereignty. This includes the imposition of taxes on digital trade, aimed at ensuring that all digital transactions comply with Indonesia's tax regulations. This step not only serves as a tool to regulate the digital market but also ensures that the government receives legitimate revenue from trade activities. Furthermore, the Indonesian government also has the authority to protect consumers and regulate data security as an integral part of legal sovereignty. Consumer protection encompasses various aspects, ranging from ensuring products sold through digital platforms meet safety and quality standards to safeguarding against unfair trading practices. Thus, the government can prevent fraud, predatory pricing, and other unethical practices that may harm consumers.

Data security regulation is also a primary concern in this regulation. With the increasing number of digital transactions, the security of consumers' personal data becomes increasingly crucial. The Indonesian government, through its policies and regulations,

seeks to ensure that consumers' personal data collected by digital platforms such as TikTok Shop is managed and protected properly. This includes the platform's obligation to comply with strict data protection standards, prevent data misuse, and ensure that data is not used for purposes harmful to consumers. By taking these steps, the Indonesian government is not only striving to regulate digital trade but also to maintain full control and authority over trade activities at the national level. This reflects the sovereignty of the state in the context of an increasingly integrated global trade with digital technology. Through stringent regulations and rigorous law enforcement, Indonesia aims to create a fair and sustainable trading environment that can support national economic growth while protecting the interests of consumers and local businesses.

Nevertheless, in a global context, international cooperation remains a critical factor. This enables Indonesia to collaborate with other countries or international entities in developing globally applicable standards for digital trade while maintaining its national legal sovereignty. Foreign media outlets such as the South China Morning Post (SCMP), The Star, and BBC International News have provided insights into the implementation of the TikTok Shop closure policy. Some media outlets have highlighted the reasons behind this policy, with SCMP stating that the closure aims to protect offline traders from "predatory" pricing on social media that could harm SMEs. While TikTok Indonesia has expressed its readiness to comply with local laws, they have also criticized that the ban could harm millions of Indonesian sellers who rely on the platform. According to The Star, the closure of TikTok Shop in Indonesia represents a setback for TikTok, especially following various challenges in multiple countries regarding user data security and its ties to Beijing. BBC International News noted that the Indonesian government explained that this regulation aims to protect local retailers, both

physical and online. From the perspective of traders, as expressed by Nikkei Asia, the closure of TikTok Shop has been a serious disappointment for those who rely on the platform to expand their customer base. Nevertheless, the Indonesian government argues that this ban is necessary to protect micro, small, and medium enterprises (MSMEs), as well as user data. Faced with various perspectives and impacts, the policy of closing TikTok Shop in Indonesia should be understood as part of the government's efforts to exercise its legal sovereignty in regulating digital trade to protect national interests, both economically and in terms of data security.

### **Conclusion**

In this study, it can be concluded that Indonesia, in line with other countries, is endeavoring to manage the complexities of the impact of foreign trade, particularly in an increasingly expansive era of digital commerce. Through the issuance of Minister of Trade Regulation No. 31 of 2023, Indonesia has taken strategic steps to maintain economic sovereignty and protect MSMEs. This regulation, focused on the existence of TikTok Shop, introduces new rules related to PPMSEs, such as marketplaces and Social-Commerce, aimed at providing clear direction for e-commerce businesses and ensuring the sustainability of MSMEs. The regulation encompasses various aspects, ranging from setting minimum prices for imported goods, compiling a Positive List for foreign-origin goods, to limiting the rights and authorities of PPMSEs. These measures are designed to provide protection to local businesses, promote MSME sustainability, and manage the impact of foreign product trade. Nevertheless, these government efforts have drawn international attention, with foreign media offering various perspectives including criticism, support, and responses to the closure of TikTok Shop. In a global context, international cooperation remains a key factor, enabling Indonesia to develop globally applicable standards for digital trade while

preserving its national legal sovereignty. Faced with various perspectives and impacts, the closure of TikTok Shop is interpreted as a governmental step to exercise its legal sovereignty in regulating digital trade, aiming to protect national interests both economically and in terms of data security.

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