

Effectiveness of Trading Regulations Through Electronic Systems as an Effort to Prevent Predatory Pricing in Indonesia

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Abstract

TikTok has various creative video content, such as comedy, tutorials, dance, and more. The TikTok application also has a TikTok Shop feature specifically designed for businesses. Still, the increasing use of TikTok Shop has triggered criticism from conventional merchants because many have lost buyers due to TikTok Shop and the Indonesian Government. This is due to predatory pricing practices carried out by TikTok Shop. Predatory pricing is the practice of monopolizing the price of goods to drop prices and harm competitors. This study aims to analyze the effectiveness of the Minister of Trade Regulation Number 31 of 2023 in dealing with predatory pricing in TikTok shops. This research is a normative juridical research using a statutory and historical approach and descriptive data analysis. The results of the study, according to Lawrence M. Friedman's legal system theory, to see whether or not a relationship is effective need to be seen from three elements, namely the structure of law, the substance of the law, and legal culture. Minister of Trade Regulation No. 31 of 2023 has a legal substance that separates e-commerce from social media to overcome predatory pricing and the invasion of cheap foreign goods. However, removing TikTok Shop may create a void in material laws related to electronic commerce in Indonesia, especially if certain aspects related to predatory pricing still need to be comprehensively covered. Special supervision involves the authorities monitoring and guaranteeing clear information from online stores and supports the formation of trusted guarantors. The government is expected to formulate effective regulations to regulate similar applications.

I. Introduction

The TikTok application has various creative content, such as comedy, tutorials, dances, and other videos. TikTok is an application that has several features that are accompanied

by music. The videos made have varying durations and have quite a lot of fans in the world. Statistical data shows that using the TikTok application can reach 92.2 million per day, the platform's highest peak. The initial development of TikTok only focused on the world of entertainment through several videos posted or published on the TikTok application (Morgan et al., 2022). However, as time passed, several features began to be improved in the TikTok application, including the TikTok Shop feature. TikTok Shop is one of Indonesia's most successful e-commerce sites, allowing several users to carry out online buying and selling transactions. TikTok Shop offers several products, including services, cosmetics, food, fashion, and so on (Agustin et al., 2023).

Controversy began to be sparked due to news about the TikTok Shop and the government's attitude. The buying and selling feature on the TikTok Shop has been missing since October 4, 2023. This is due to the Minister of Trade's ban on buying and selling at TikTok Shops in Indonesia. The closure of the TikTok Shop is not without reason. This was done because of the invasion of cheap goods from abroad and considering the many complaints from conventional traders in Indonesia.

Meanwhile, TikTok itself violates PMSE (Trading Through Electronic Systems) regulations. In the business and economic sectors, eliminating TikTok Shop as an e-commerce sector certainly has positive and negative impacts, especially in the trade sector. Economic conditions in Indonesia also impacted the elimination of the TikTok Shop e-commerce. A source of income for sellers and jobs for those dependent on TikTok Shop will be lost. If seen from this point of view, this will be detrimental to the Indonesian economy. The elimination of TikTok Shop as an e-commerce model provides the view that Indonesia still needs to be ready for current technological advances and developments, and there are direct restrictions regarding the use of technology (Putri et al., 2024).

However, if you look at MSMEs that have developed and made a direct contribution to Indonesian society, the closure of the TikTok Shop has had a positive impact. The closure of the TikTok Shop will also close opportunities for entrepreneurs who import various kinds of illegal goods into Indonesia. This violates applicable laws and regulations (Erliyani & Afiaf, 2023). The implication regarding the closure of the TikTok Shop will reduce predatory pricing (price wars), which can cause losses for MSME traders. Removing the TikTok Shop application also provides guarantees for buyers in the e-commerce sector; for example, cases of illegal products being sold can be reduced. Controversy regarding removing the TikTok Shop is circulating in public life, consisting of the pros and cons of this government action. Viewed from an MSME perspective, it explains that market reach can be restored if the e-commerce TikTok Shop is removed. However, if you look at the opposing community, it is clear that deleting or withdrawing the TikTok Shop could kill the jobs of content creators (Nugraha et al., 2023).

Previous research by Muslim et al. (2023) explained that closures related to the TikTok Shop application could cause legal disputes such as consumer protection, tax challenges, and data privacy. The legal implications regarding the revocation of the TikTok Shop require regulations related to a responsive and adaptable framework. The government's closure of the TikTok Shop aims to comply with Minister of Trade Regulation No. 31 of 2023. One of the regulations listed is the separation between e-commerce and social media. Meanwhile, TikTok currently only has permission regarding

tools to promote sales products. There have been rumors among the public regarding the opening of the TikTok Shop. In this case, the General of Trade explained that the TikTok Shop will still exist, which has been adapted to the regulations in Indonesia (Wijaksana & Elsina, 2023).

Several researchers have conducted studies on Tiktok Shop, but none have discussed predatory pricing from the perspective of sharia maqashid. Research by Guardian Putri et al. (2023), for example, found that cognitive and emotional trust significantly affected purchase intentions in the TikTok Shop. However, not all sources of trust (awareness of familiarity, normality of the situation, trust in the platform, and social interactivity) equally influence cognitive and emotional trust (Putri et al., 2024). Furthermore, research by Agustin et al. (2023) shows that consumer purchasing behavior is influenced by the four variables studied: product quality, online customer reviews, customer ratings, and promotions. This indicates that the regression model used in this study is quite good and contributes 87.7% (Agustin et al., 2023).

Research conducted by Emma J. Morgan (2022) outlines the diverse interactions of social circumstances and social commerce features, providing valuable insights into increasing consumer trust and driving repeat engagement on TikTok Shop, offering actionable guidance for running a business in developing countries—the field of social commerce (Morgan et al., 2022). Moreover, research by Henry Noor Rochman and Eny Kusumawat (2023) proves that service quality and price influence purchasing decisions on the TikTok Shop application. This is because knowledge, promotions, influencers, and comfort do not influence purchasing decisions on the TikTok Shop application (Rochman & Kusumawati, 2023). Apart from that, research by Yudha Dwi Nugraha et al. (2022) found that Generation Z Muslim women tend to perceive posts or suggestions from micro-celebrities as authentic, reliable, and positive, and significantly influence their browsing of utilitarian cosmetics on TikTok Shop (Nugraha et al., 2023).

This research aims to test the effectiveness of Minister of Trade Regulation No. 31 of 2023, which closed the TikTok Shop due to alleged predatory pricing practices. This research is expected to complement previous research discussing government regulations and policies in predatory pricing, especially in Indonesia. The removal of TikTok Shop has had positive and negative impacts on the business world and the economy, especially in the trade sector, so it also impacts the economy in Indonesia (Mustofa et al., 2020). The negative consequences include loss of sources of income and jobs for those who depend on TikTok Shop. Apart from that, removing TikTok Shop shows that Indonesia still needs to be ready to accept and take advantage of technological advances and developments. Meanwhile, the positive impact can be seen, among other things, in the development and contribution of Micro, Small, and Medium Enterprises (MSMEs) to Indonesian society (Suhartanto, 2023).

This research is motivated by the argument that Minister of Trade Regulation No.31 of 2023 is less effective in dealing with predatory pricing in Indonesia. The reason is that predatory pricing exists in the TikTok Shop and other e-commerce applications. Therefore, a study is needed to discuss this matter in more depth. If, in the end, the Minister of Trade Regulation No. 31 of 2023 is less effective in dealing with predatory pricing in Indonesia, then regulations or policies are needed that more firmly regulate predatory pricing in Indonesia.

2. Research Method

This research method uses normative juridical research, namely literature review research, which focuses on normative law obtained from several library materials or other secondary data. Normative juridical research is carried out to analyze legal regulations, legal principles, and several concepts or theories related to the legal domain. According to Soerjono, the normative scope includes history, comparison, systematics, and legal principles. The approach used uses a statutory approach and a historical approach. The legislative approach is an approach that analyzes statutory regulations related to legal issues (Diyati & Muhyadi, 2019). The historical approach studies other sources containing information about the past and is carried out systematically. The data source used is secondary data obtained through a review of several research sources or relevant sources linked to the research title. Data collection techniques through literature studies sourced from Google Scholar searches, Researchgate, and Google databases. After the data is obtained, the next step is the data analysis technique, which is as follows:

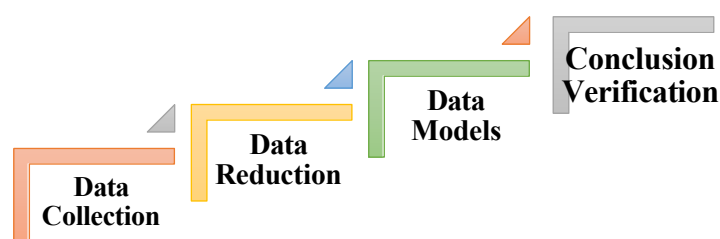


Figure 1. Data Analysis Techniques

Source: Miles & Huberman (1992) in (Diyati & Muhyadi, 2019)
(Diyati & Muhyadi, 2019)

3. Results and Discussion

Predatory Pricing in the TikTok Store

Predatory pricing is an action that reduces prices in the Market. The price offered by the seller is far below the average, so through predatory pricing, you can get rid of or kill competitors by using profit-seeking strategies. Predatory pricing can be called selling at a loss. Indirectly, promotions offered by business activists can displace competitors (B.A.P & Widhi Cahyo Nugroho, 2023). Furthermore, Aulia Sulistyo (2023) states that predatory pricing practices aim to cover past losses, gain future profits, and destroy competitors. This predatory pricing strategy is to use promotions and prices below production costs.

When competitors or rivals have been eliminated, a business person will immediately raise prices and gain maximum profits (Aulia & Sulistyo, 2023). The beginning of predatory pricing activities is that a company will experience losses due to selling a product below market price. However, after competitors have been eliminated, business people will gradually increase prices. In this case, business people will kill or eliminate competitors first (Brahmana & Wiradiputra, 2022). Business competition activities that should not be carried out are predatory pricing. This prohibition has been stated in the rule of reason, which has the authority to consider competitive factors and decide whether a business

obstacle is adequate.

Several conditions are set if a business person carries out predatory pricing, namely, (1) The aim is to destroy competitors; (2) Selling below market prices for an extended period; (3) The price offered is below market price (Wijaksana & Elsina, 2023). Suspicions of predatory pricing caused the closure of the TikTok Shop feature in the TikTok application. This can be proven by several new TikTok Shop users getting prices that are cheap or far below the Market. For example, fashion necessities such as sandals are sold for IDR. 1,000.00, which is intended for new TikTok users.

Minister of Trade Regulation (Permendag) No. 31 of 2023 concerning Predatory Pricing on TikTok Shop

In trade regulation no. 31 of 2023, Article 21 Paragraph 1 explains, "In conducting PMSE (Trading Through Electronic Systems), Business Actors are required to comply with the provisions of laws and regulations in the field of Business Licensing, proof of compliance with standards or technical requirements for required Goods and Services, and Goods and Services whose trade, distribution of goods and taxation are prohibited and restricted" (Permendag, 2023). Furthermore, Article 27, paragraph 2 explains, "PPMSE with a Lokapasar (Marketplace) and Social-Commerce business model is prohibited from acting as a producer by the provisions of laws and regulations in the field of distribution of goods." Article 27, paragraph 3 reads, "PPMSE with a Social-Commerce business model is prohibited from facilitating payment transactions on its Electronic System."

Based on the contents of this article, it is stated that social media is prohibited from acting as e-commerce and that electronic-based payments are not permitted. The development of e-commerce in the TikTok application has undoubtedly sparked controversy. Controversy regarding removing the TikTok Shop is also circulating in people's lives, consisting of the pros and cons of this government action. Viewed from an MSME perspective, it explains that market reach can be restored if the e-commerce TikTok Shop is removed.

However, if you look at the opposing community, it is clear that deleting or withdrawing the TikTok Shop could kill the jobs of content creators. Apart from that, some explain that the problem with closing the TikTok Shop is not due to restoring the reach of the MSME market or eliminating job opportunities for content creators. However, the problem lies in illegal products entering Indonesia, which has the chance to dominate the growing Market in Indonesia. Based on this, local products may not find a market. There are indeed restrictions on e-commerce via TikTok Shop. However, TikTok social media can be used for advertising (Dewa & Safitri, 2021). Advertising is a non-personal presentation of promotions, sponsorships, services, goods, ideas, etc (Margahana, 2020). This is explained in Article 25 Paragraph 1, namely "Delivery of Electronic Advertisements as intended in Article 23 paragraph (1) can be delivered in real-time on a network or connected with a time lag outside the network via a network of electronic communication facilities, whether telecommunication channels, broadcasting or the internet ". TikTok Shop is known as one of Indonesia's most successful e-commerce sites, allowing several of its users to carry out online buying and selling transactions (Yanti et al., 2023). Cross-border trade is strictly regulated in the Minister of Trade Regulation Number 31 of 2023. For some imported

goods in Indonesia, several platforms can provide significant discounts, which can give rise to predatory pricing. Minister of Trade Regulation Number 31 of 2023 also regulates the minimum import tariff for goods by market shops of at least 100 dollars. Even the President of the Republic of Indonesia, Joko Widodo, is also concerned about some goods being sold through imports.

The reason is that the presence of these goods can kill MSMEs in Indonesia, according to the results of a joint interview with Celios Nailul Huda, Director of the Digital Economy (Purnama, 2023). The TikTok Shop offers several products, including services, cosmetics, food, fashion, and so on. Based on this feature, it can indirectly increase sales turnover from sellers (Supriyanto et al., 2023). Based on regulations issued by Indonesia through Minister of Trade Regulation Number 31 of 2023. These regulations regulate electronic trading systems, supervision of business actors, guidance, advertising, and business licensing.

The government strictly prohibits buying and selling transactions using social media in this regulation. Most of the imported goods sold on the Tiktok Shop E-commerce platform are also used goods and do not meet the standards for imported goods as written in Minister of Trade Regulation Number 118 of 2018 concerning Provisions for the Import of Capital Goods in a Condition that is Not New (Erliyani & Afiaf, 2023). Minister of Trade Regulation Number 31 of 2023 aims to organize business in the digital world. The contents of the Minister of Trade Regulation regulate trade through electronic systems, supervision, guidance, advertising, and business licensing. Illegal goods can quickly enter Indonesia, indirectly destroying local entrepreneurs' development and the sustainability of MSMEs (Micro et al.).

Based on this, a supervisory task force is needed, such as BPOM (Food and Drug Monitoring Agency), Kemenkop UKM (Ministry of Cooperatives and Small and Medium Enterprises), Ministry of Trade (Ministry of Trade), Ministry of Communication and Informatics (Ministry of Communication and Informatics), and so on. The main task of this supervision task force is to observe the buying and selling process, especially in e-commerce. Predatory pricing must also be watched out for because it is very high in business practice (Irmayanti, 2023). The closure of the TikTok Shop was formalized through Minister of Trade Regulation No. 31 of 2023. The existence of predatory pricing in the TikTok Shop causes displacement and will even hurt existing MSMEs. Pioneer in Indonesia. Based on this, buying and selling activities carried out in e-commerce must be tightened again to prevent predatory pricing. The newly established TikTok Shop almost replaces several other e-commerce platforms with a percentage of 5% (Suhartanto, 2023).

effectiveness of Minister of Trade Regulation no. 31 of 2023 in Handling Predatory Pricing Based on Legal System Theory

Predatory pricing is a business strategy in which a company sets the price of its products or services at a shallow level, even below production or operational costs, for a time. These actions aim to reduce or eliminate competitors and create market dominance. By offering prices that competitors cannot match, companies implementing predatory pricing hope to destroy or force competitors out of the Market. Once dominance is achieved, the firm can raise prices again to gain greater profits. Predatory pricing practices are often considered

anti-competitive behavior and may violate antitrust laws in various jurisdictions. Regulations are carried out to protect fair competition and prevent abuse of market power by large companies.

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Ministry of Trade Regulation Number 31 of 2023 reflects serious efforts to address the problem of predatory pricing in the trade sector. By establishing clear and specific provisions regarding this practice, this regulation provides a solid legal basis for preventing and overcoming predatory pricing (Erliyani & Afiaf, 2023). However, evaluating its effectiveness needs to consider several aspects. First, these regulations need to be viewed as part of a larger legal structure, including existing business competition laws, to ensure the overall legal framework supports the goal of preventing predatory pricing. Furthermore, it is essential to assess the extent to which the enforcement and sanctions provided by these regulations can effectively dissuade businesses from engaging in such practices. The involvement of competition authorities and inter-agency collaboration can be critical factors in determining regulatory success. In this case, it is necessary to pay attention to whether there is increased awareness and understanding among business people regarding the consequences of predatory pricing. Analysis of the impact on the Market, whether there is increased competition or consumer protection, is also an important indicator for measuring the effectiveness of this regulation. In conclusion, an in-depth evaluation of the legal structure, enforcement, and impact on the Market is the key to assessing the effectiveness of Ministry of Trade Regulation Number 31 of 2023 in dealing with predatory pricing.

The effectiveness of Minister of Trade Regulation No. 31 of 2023 in dealing with predatory pricing can be analyzed by referring to Legal System Theory, especially the concepts introduced by Lawrence M. Friedman. Lawrence M. Friedman's legal system theory aims to create legal certainty, justice, and benefits. Still, it also requires effectiveness and success or failure in law enforcement depending on the three elements of the legal system coined by Lawrence M. Friedman, namely the structure of law, legal substance (the substance of the law), and legal culture (legal culture). The author chose this legal system theory because it is a supporting theory in analyzing law enforcement related to predatory pricing. Lawrence M. Friedman's Legal System Theory to create legal certainty, justice, and benefit; however, it is also necessary to be effective, and whether law enforcement is successful or not depends on the three elements of the legal system coined by Lawrence M. Friedman, namely the structure of law, legal substance (substance of the law), and legal culture (legal culture). The author chose this legal system theory because it is a supporting theory in analyzing law enforcement related to predatory pricing.

According to Lawrence M. Friedman, three indicators can be used as benchmarks to

assess existing and applicable law enforcement in society (Rizkika Maharani, 2021).

a. Legal Substance

This indicator decides whether an essential part of the law (its substance) can be enforced. In short, legal substance evaluates the material law itself. Substance also refers to the products produced by people involved in the legal system, including the decisions they issue or the new regulations they create. The content also includes laws that live and apply in society (living law, for example, customary law), not just rules in books or legal codifications (law books, for example, regulations or statute books).

b. Legal Structure

Also known as legal institutions, this indicator assesses the ability to implement the law. In other words, this indicator analyzes law enforcement carried out by law enforcement officers. It can only be enforced with reliable, competent, independent law enforcement personnel. Without the support of good law enforcement officials, no matter how good the laws and regulations are, justice will only be a dream. Therefore, law enforcement factors play an essential role in the administration of law. If the rules are good but the quality of enforcement is better, problems will arise. Vice versa, if regulations are inadequate and the quality of enforcement is good, these problems will still occur. Based on this, it is concluded that substance and legal structure are closely related and influence each other. Both must be on the same path to consider law enforcement good.

c. Legal Culture

Culture or legal culture assesses how society responds to the law and its system – its beliefs, values, thoughts, and hopes. Legal culture is the social practice of using, avoiding, or misusing the law. This indicator is closely related to public legal awareness. High awareness will form an excellent legal culture in society. In other words, people's choice to obey the law indicates that the law is working well in that society. External social, namely the society's culture, gives strength and reality to law. Legal culture is an element of social attitudes and values. The term "social forces" is abstract, but these forces indirectly move the legal system. People in a society have needs and demands; all this sometimes does not include and extends to legal processes - depending on the culture (Mustofa et al., 2020).

First, from a legal structure perspective, this regulation is part of a formal framework that seeks to provide an adequate legal basis to overcome predatory pricing practices. However, these regulations must be integrated and balanced with larger legal structures, such as business competition law, to achieve maximum effectiveness. The two legal substances contained in these regulations also have a crucial role. Evaluation of this substance needs to ensure that the definition of predatory pricing and the sanctions regulated reflect the principles of competition protection and fairness. Third, Legal Culture, which includes how society and business people understand these rules, is essential. Awareness and appreciation of the consequences of violating this law can form a legal culture that supports and strengthens compliance with the Regulations (Wijaksana

& Elsina, 2023).

In legal system theory, law enforcement and sanctions are crucial elements that must be effective. The involvement of law enforcement officials in detecting and investigating predatory pricing violations and implementing strict sanctions will significantly determine the success of this regulation. Finally, the impact on the Market also needs to be studied. The effectiveness of rules can be measured by the extent to which predatory pricing has been successfully suppressed and its positive impact on competition and welfare.

Analysis of Electronic Commerce Regulations and the Impact of Removing the TikTok Shop

Efforts to overcome predatory pricing through Minister of Trade Regulation (Permendag) No. 31 of 2023 and the closure of the TikTok Shop show the Indonesian government's commitment to facing the challenges of electronic commerce. Evaluation of these steps yields several essential aspects. In Minister of Trade Regulation No. 31 of 2023, concrete steps are implemented to overcome predatory pricing, especially on the TikTok Shop platform. The prohibition on social media as a producer (Article 27 Paragraph 2) aims to protect micro, small, and medium enterprises (MSMEs) from unfair competition. In addition, the prohibition on facilitating payment transactions (Article 27 Paragraph 3) provides further steps to control potential predatory pricing.

Apart from positively impacting MSMEs in restoring market reach and reducing predatory pricing practices, removing TikTok Shop also has negative impacts such as the loss of sources of income for sellers and workers who depend on the platform. However, this step reflects the government's quick response to predatory pricing. However, this effort also highlights Indonesia's unpreparedness in adopting advances in online trading technology. Continuous evaluation and strengthening of regulations, active support from relevant institutions, and public education are needed to ensure effective implementation. The prohibition on transactions via social media is followed by promotional opportunities through electronic advertising (Article 25 Paragraph 1) to create a balance between protecting MSMEs and providing legitimate promotional space. However, legal and cultural challenges arise that require education and communication efforts to the public so that this policy can be understood and supported.

In law enforcement, this regulation relies on its legal substance, which is directed at empowering law enforcement officers. Strengthening the legal structure and training for law enforcement officials is essential to implement regulations effectively. Overall, Minister of Trade Regulation No. 31 of 2023 provides concrete steps in dealing with predatory pricing in the TikTok Shop. Further efforts are needed to ensure public understanding, effectiveness of law enforcement, and adaptation to the evolving dynamics of electronic commerce. Further recommendations involve the active role of relevant institutions in public education efforts and strengthening legal structures and law enforcement in the era of electronic commerce.

Analysis of Lawrence M. Friedman's Legal System Theory in Overcoming Predatory Pricing

In the context of legal system theory, the effectiveness of Minister of Trade Regulation

no. 31 of 2023 in dealing with predatory pricing needs to be analyzed through the right balance between good legal structure, clear legal substance, supportive legal culture, effective law enforcement, and positive impacts on the Market and society as a whole. This evaluation will help understand the extent to which the regulation has succeeded in achieving its objectives, thus ensuring that it is not just limited to legal text but can also function optimally in realizing the goal of preventing predatory pricing. In this case analysis, we see that Minister of Trade Regulation No. 31 of 2023 has a legal substance that separates e-commerce from social media to overcome predatory pricing and the invasion of cheap foreign goods. However, removing TikTok Shop could create a material legal vacuum related to electronic commerce in Indonesia, especially if certain aspects related to predatory pricing have not been covered comprehensively.

In terms of legal structure, this regulation shows an effort to empower law enforcement officials to enforce electronic trading regulations. However, the quality of law enforcement could become a problem if these regulations are not implemented firmly and efficiently across e-commerce platforms. Support for law enforcement officials and their independence can also influence the legal system's ability to deal with predatory pricing. In the context of legal culture, this regulation seeks to create a better legal culture by limiting the invasion of cheap foreign goods and protecting conventional traders. However, problems may arise if the public does not fully understand or support these regulations, and noncompliance or resistance may arise among users who object to removing the TikTok Shop.

The following are the results of the analysis of the elements of legal system theory according to Lawrence M. Friedman:

1. Legal Substance: According to this theory, legal substance refers to the material law. In tackling predatory pricing, the legal substance can be measured from the firmness and relevance of regulations produced by Minister of Trade Regulation Number 31 of 2023. The evaluation of legal substances must ensure that existing rules effectively suppress predatory pricing practices and protect MSMEs.
2. Legal Structure: Legal structure, or legal institutions, refers to the ability to implement the law. In law enforcement related to predatory pricing, the legal structure must ensure that law enforcement officers have adequate quality, competence, and independence. Evaluation of the legal structure will determine how well good rules can be implemented in society.
3. Legal Culture: Legal culture is a critical factor that reflects how society responds to the law and its system. In the context of predatory pricing, legal culture can be interpreted as public awareness of the importance of obeying the rules to create justice. Educating and communicating with the public is crucial to forming a positive legal culture.
4. Relationships Between Elements: There is a close relationship between substance, structure, and legal culture. Reasonable regulations (substance) must be supported by reliable law enforcement officials (structure) and a legally aware society (culture). A balance between these three elements is essential to achieve the goal of overcoming predatory pricing.

By applying Lawrence M. Friedman's Legal System theory, the government can ensure

that there are good rules (substance), a supportive legal structure, and a legal culture that encourages compliance. This will create an effective legal environment in tackling predatory pricing and maintaining fairness in electronic commerce. In facing the challenges caused by the closure of the TikTok Shop and anticipating future developments in digital technology, the Indonesian government is showing its seriousness by preparing comprehensive regulations (Wijaksana & Elsina, 2023). The decision to close was taken to protect local MSMEs, and the next step is to prepare stricter regulations regarding e-commerce trade and taxation and consumer protection in online transactions. Apart from that, law enforcement against illegal practices is also an important focus. In collaborating with other digital platforms, the government is expected to be able to formulate effective regulations to regulate similar applications, maintain market stability, and provide justice to local business actors. This government effort is expected to create a balanced business environment, support the development of the digital economy, and positively contribute to the sustainable growth of MSMEs in Indonesia. In this way, the growth potential of MSMEs in Indonesia can be optimized, positively impacting the country's economic prosperity and stability (Mustofa et al., 2020).

As a recommendation to optimize regulations in e-commerce, several steps can be taken. First, special supervision is needed involving the authorities in monitoring and ensuring clear information from online stores. This aims to anticipate the emergence of fictitious online stores that could harm consumers. The next step is to support the formation of a trusted guarantor, such as a bank guarantee, to bridge between business actors and consumers. Besides that, consumers must increase vigilance and be careful when choosing online stores and the products or services they will purchase. Educating consumers about risks and precautions can help create a safer e-commerce environment. Finally, it is recommended that a particular dispute resolution institution for e-commerce be established. This institution can be designed with a simple and uncomplicated process in its management to provide efficient and fair solutions in resolving possible disputes. All of these steps will support the sustainable development of e-commerce and provide maximum protection to business actors and consumers (Suhartanto, 2023).

4. Conclusion

Minister of Trade Regulation No. 31 of 2023 has a legal substance that separates e-commerce from social media to overcome predatory pricing and the invasion of cheap foreign goods. However, eliminating TikTok Shop could create a vacuum in the material law related to electronic commerce in Indonesia, especially if certain aspects related to predatory pricing have not been covered comprehensively enough. Other obstacles could arise if the public does not fully understand or support these regulations. Noncompliance or resistance could arise among users who object to removing the TikTok Shop. By applying Lawrence M. Friedman's Legal System theory, the government can ensure that there are good rules (substance), a supportive legal structure, and a legal culture that encourages compliance. This will create an effective legal environment in tackling predatory pricing and maintaining fairness in electronic commerce.

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