



# Harmonizing Consumer Protection Laws: E-commerce as Challenges and Opportunities for Global Businesses

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**Abstract.** Almost every aspect of human life has been impacted by information technology and communication, including the ways in which we work, communicate, interact with others, and shop. The growth of e-commerce brings its own unique legal challenges. Consumers should feel secure when shopping online and enjoy legal protection against fraud or issues with the products or services they purchase. This raises the issue of how adequate legal changes can be implemented to address the challenges arising from technological advancements while prioritizing consumer protection. This research aims to find solutions in creating legal certainty that aligns with technological developments in the digital business realm. The research adopts a normative juridical research approach. The research findings indicate that relevant and adequate regulations must be established to accommodate technological advancements and provide appropriate legal protection for all parties involved in e-commerce. The results of research in this study indicate that Indonesia has established regarding the e-commerce transactions under the UU PK dan ITE Act. The assurance of legal certainty in e-commerce consumers is one way of reducing the obstacles trade of goods and services in Indonesia. Legal harmonization for consumers protection is one strategy to guarantee legal certainty and protection for e-commerce customers.

**Keywords:** Digital Business, E-commerce, Legal Harmonize.

## 1 Introduction

The internet and information technology have grown quickly, changing how business is done globally. One noteworthy development is the emergence of electronic commerce, or "e-commerce" for short. E-commerce has made it possible for international companies to more effectively and quickly reach consumers around the world. However, this progress also presents new challenges in protecting consumers engaging in online transactions. The e-commerce sector possesses significant potential for growth and innovation in Indonesia.

Consumers play an essential role in holding businesses to higher standards. Consumers around the world are becoming to vocal in demanding fair treatment and ethical conduct. Such as a business is deemed trustworthy, critical reviews could be

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taken by customer and give a positive review about that business. In here, consumers can be important change agents to a business in e-commerce. In this context, consumer protection becomes a crucial issue. Consumer protection is an effort to safeguard consumers' rights in business transactions, preventing them from falling victim to harmful practices. In the e-commerce environment, consumer protection often becomes complex due to transactions taking place virtually, without direct interaction between sellers and buyers.

The following are a few general concerns regarding consumer rights in e-commerce transactions.

1. Consumers could not immediately identify, observe, or touch the ordered object [5]
2. Lack of clarity regarding the ordered item and/or uncertainty as to whether customers have acquired various details that are important to know in order to make a decision regarding a transaction
3. legal subject status of the company's obscurity
4. There is no assurance of the transaction's security and privacy, nor is there any explanation of the system's risk, particularly in the case of electronic payments made with either a credit card or electronic money.
5. Unbalanced risk imposition occurs when the payment is made in advance but the ordered item has not yet been delivered or will be delivered later because the existing guarantee is one of delivery rather than receipt.
6. The transactions are cross-borderless in nature, evoke jurisdictional issues regarding which country's law applied.

Harmonizing laws is one strategy for addressing the issue of consumer protection in e-commerce. Harmonizing consumer protection laws involves aligning regulations across different countries to achieve uniformity in consumer protection within the context of electronic trade.

Harmonizing consumer protection laws in e-commerce has significant implications for global businesses. [18] On one hand, global businesses face the challenge of complying with different consumer protection regulations in each country they operate in. On the other hand, e-commerce also presents new opportunities for global businesses to reach a wider market by enhancing accessibility and efficiency.

In this context, research on the harmonization of consumer protection laws in e-commerce is relevant and important. Such research can identify the challenges faced by global businesses in complying with varying consumer protection regulations and identify opportunities to expand their business reach. Therefore, this research can provide a better understanding of the importance of harmonizing consumer protection laws in the context of e-commerce and its implications for global businesses.

Given the background that has been provided, the primary issue in this research is consumer protection in e-commerce transactions, which Indonesian society has chosen as its preferred method of transaction. Where is the a greater level of risk compared to conventional trade transactions. This is because there are no direct meet-

ings between business and consumers. However, Indonesian regulations concerning consumer protection in e-commerce transaction are inadequate. Based on the background information provided, the author is interested in conducting an in-depth study that will be presented in the form of research with the following title “Harmonizing Consumer Protection Laws: E-commerce as Challenges and Opportunities for Global Businesses.”

## **2 Methodology**

It is doctrinal legal research being done here. The study that offers a methodical explanation of the laws governing a particular legal category, examines how laws relate to one another, clarifies areas of confusion, and possibly forecasts future developments. The normative legal research method is the one that is employed, and it entails looking over or analyzing secondary data found in primary, secondary, and tertiary legal materials in order to comprehend law as a set of guidelines or constructive norms found in the legal system governing human life. Therefore, this research is considered a literature study, specifically a study of secondary data. Normative legal research functions to provide juridical argumentation where there are a vacuum, obscurity, and conflict of norms. [23] Therefore, the theoretical basis used here is one found at the level of normative or contemplative legal theory. This research uses the normative legal research method in order to find legal certainty and legal protection by linking the problem occurring in practice with existing legal norms, both documented and declared.

The statute approach and the case approach were both used in this study. of which normative legal research typically makes use. Examining pertinent laws and regulations that are related to the current legal issues is how the statute approach is carried out.

## **3 Result and Discussion**

### **3.1 Overview of the Consumer Protection Regulations in E-Commerce Transactions in Indonesia**

The advancements in communication and information technology that emerged in the 20th century has resulted in several fresh regulations around the world, including Indonesia. The growth of information technology created the internet and subsequently ushered in a digital age, which brought about significant changes in people’s lifestyle pattern. The advent of the internet in 21st century has given rise to both opportunities and challenges. That is has created opportunities through the democratization of culture, business, equality, and e-commerce. And the internet had broke the barriers by enabling trade that is not limited to traditional way interactions between seller and buyers (in here which is face-to-face interactions). This changing have opened up new avenues for cultural exchange, expanded business possibilities, promoted equality, and facilitated the growth of e-commerce.

In the realm of business, electronic practice has emerged as the marketplace or platforms of communication and information technology to facilitate the operations of individuals, groups, or business entities. Electronic commerce (e-commerce) has revolutionized the exchange of products and services, between traders, individuals, groups, and business entities [4].

E-commerce transaction have special characteristics, namely [16]:

1. Transaction without geographic boundaries
2. Anonymous transaction, which means that parties involved in the transaction do not need to personally interact and that, under certain circumstances, the business is not required to ask for the customers' names as long as a specific form of payment is used.
3. Digital and non-digital objects that can be marketed via the internet by downloading electronically
4. Transaction objects can be intangible objects such as data, software, and ideas that are sold via internet.

[1] Customers in here, are known as to be natural persons who purchase products and service off the internet, either via online shop, e-commerce marketplace or social media platforms for non-business purposes. According to the previously mentioned characteristics of online transactions, consumers who use e-commerce are likely to make mistakes when it comes to implementation. Consumers' rights in e-commerce must be upheld by the government and business owners for the government to be able to protect them. This is because upholding e-commerce consumers' rights will shield them from a variety of risks and is inherent in all consumers.

The validity of the agreement is essentially constrained by the generally applicable terms and conditions of a purchase agreement because it is a buying and selling transaction conducted through an electronic system. The purchase agreement must meet both the subjective and objective standards outlined in Article 1320 of the Civil Code in order for it to be binding on all parties. Conventional and electronic buying and selling have some differences, but the criteria for approving an agreement still refer to the Civil Code's provisions. However, The Indonesian Government Regulation on Electronic Systems and Transactions (hereinafter referred to as "PP PMSE") establishes the following requirements for a valid electronic contract in Article 52 as a specific regulation governing electronic contracts:

"An Electronic Contract is valid and binding on the parties if:

- 1) It fulfills the terms and conditions of the Electronic Offer
- 2) The information stated in the Electronic Contract corresponds to the information stated in the Electronic Offer
- 3) There is an understanding between the parties, whereby the receiving party accepts the terms and conditions of the offer sent by the offering party.
- 4) It is carried out by a legal subject qualified or permitted to act on their behalf in accordance with the laws.
- 5) There is a specific purpose, and
- 6) The transaction object is not contrary to the legislation, morality, and public order."

The valid requirements regulated in the Civil Code can apply to all types of agreements, both named and unnamed. However, the PP PMSE is a specific regulation that only applies to electronic contracts, although it substantially has the same subjective and objective requirements as the provisions in the Civil Code. The valid requirements for electronic contracts under the PP PMSE have two additional conditions compared to the valid requirements for agreements stated in Article 1320 of the Civil Code, as explained in Article 52 points a and b of the PP PMSE [7]. In essence, there are several similarities between these two valid requirements that are essential for the formation of an agreement, whether conducted conventionally or through electronic systems. Both types of agreements must meet requirements such as the agreement reached by the parties, the legal capacity of the parties entering into the agreement, the agreement concerning specific matters, and the object of the agreement being lawful, not violating legal regulations, ethics, and public order.

The PP PMSE also emphasizes that electronic transactions occur when an agreement is reached between the parties, which happens when the offer sent by the sender is received and approved by the recipient in the form of acceptance indicating consent or the use of the object of the agreement by the electronic system user. Thus, the agreement in electronic buying and selling refers back to the process of offer and acceptance carried out by the parties. If the elements of offer and acceptance are fulfilled, then the electronic purchase and sale agreement is formed. Consequently, it is crucial to consider how electronic media are used in buying and selling activities.

In e-commerce activities, the offer is made by the seller through a website. In such offers, the seller must also include relevant information regarding the goods and prices, in accordance with the provisions of Article 52 points a and b of the PP PMSE. From these offers, the buyer has the right to choose the offer that suits their needs. The PP PMSE regulates offers and acceptances, as well as other important aspects of the process, namely confirmation. Confirmation is the response from the seller to the acceptance made by the buyer, which can take the form of identification, correction or modification of data, or simply stating that sufficient information has been obtained or that the buyer has expressed a clear intention to purchase.

According to Kosiur, e-commerce is not just a mechanism for trading products or services through the internet, but also a transformation that brings about changes in business systems by altering the techniques or methods used in the daily operations of a business entity. [14] According to Aang Arif Wahyudi and Onno W Purbo, e-commerce is described as a process that can be accessed more extensively through the application of practices, processes, and technologies in which business transactions can be conducted without the requirement of using paper as a means of conducting transactions. This is because transactions can be carried out and implemented through the use of the internet [10].

Depending on how complicated the transaction process is, numerous parties may be directly or indirectly involved when conducting business through the internet. Various actions are carried out over the internet, and the entire transaction process is conducted online. E-commerce refers to electronic transactions that are conducted through the integration of information systems using computers and communication

or telecommunication networks. These transactions can be easily facilitated using the internet network [8].

[19] The Indonesian Consumer Protection Act Number 8 of 1999 (hereinafter referred to as “UU PK”) regulates the definitions of companies and consumers. Article 1, clause 2 of the UU PK, regulated of customers who use products and services that are available in society, which are important for individuals, other living beings, families, and not occurring in the trading process. UU PK is not expressly designed to regulate e-commerce transactions.

Electronic contracts are agreements made through an electronic system and are governed by The Indonesian Information and Electronic Transactions Act No. 11 of 2008 with amendments in Act No. 19 of 2016 (hereinafter referred to as the "ITE Act"). A set of tools and procedures used in an electronic system to prepare, analyze, store, display, announce, deliver, and disseminate electronic information. The ITE Act also governs the duties and commitments of users of electronic systems.

The growth of e-commerce in Indonesia and around the world has compelled the Indonesian government to support domestic economic activity abroad. But the UU PK only governs customers' rights and obligations in conventional transactions. Therefore, new regulations are needed to accommodate transactions through e-commerce. This has led to the birth of the Indonesian Information and Electronic Transactions Act No. 11 of 2008 with amendments in Act No. 19 of 2016.

According to the ITE Act, an electronic system includes individuals, governments, companies, and the public who manage and operate electronic systems, both for their own needs and the needs of others. E-commerce is a provider/organizer of electronic systems that accommodates businesses wishing to promote and sell goods. Therefore, e-commerce is also responsible for sellers who use their platforms. However, Minister of Communication and Information Technology Circular No. 5 of 2016 limits the responsibility of e-commerce for goods sold by registered businesses on their platforms. Content in e-commerce is categorized as Electronic Information, so e-commerce has a responsibility towards consumers who feel disadvantaged after transacting through the platform.

Electronic transactions are defined as legal actions carried out using electronic media and the internet under Article 1, Clause 2 of the ITE Act. The requirement for companies to provide thorough and accurate information about products, manufacturers, and contracts is governed by Article 9 of the ITE Act. Article 26 of the ITE Act, for example, contains a very succinct section on consumer privacy and data protection in e-commerce. However, it is anticipated that in the future, this section will be supplemented, if not entirely replaced, by more comprehensive privacy and data protection legislation. Although the future regulations are likely to be influenced by the OECD Guidelines on the Protection of Privacy and Transborder Flows of Personal Data and possibly the APEC Privacy Framework, the Indonesian approach to The ITE Act is not based on an international model.

The Consumer Protection Act also regulates alternative dispute resolution through litigation or non-judicial settlement mechanisms, in accordance with the voluntary choice of the parties involved. Indonesian Government Regulation No. 80 of 2019 regarding Electronic Trading affirms that dispute resolution in electronic trading

can be conducted through the court or other mechanisms. Therefore, various methods can be used to resolve issues in e-commerce transactions, both through litigation (court) and non-litigation [11].

Article 7, clause 1 regulates that foreign businesses actively offering or conducting electronic transactions to consumers within the jurisdiction of Indonesia are deemed to be physically present in Indonesia and engaged in regular business activities in Indonesia. In addition to businesses and consumers, internet transactions in Indonesia also involve the Ministry of Communication and Information Technology. Article 100, clause 2 of Indonesian Government Regulation No. 71 of 2019 regulates administrative sanctions for Electronic System Providers who fail to comply with the requirements stipulated by the government [12]. These sanctions include written warnings, administrative fines, temporary suspension, access termination, or removal from the list. Access termination as an administrative sanction is carried out by the Ministry of Communication and Information Technology.

### **3.2 The Urgency of Implications of Legal Harmonization for Consumers Protection in Digital Business**

In an ideal scenario, it would be simple for all countries within a region to uniformly adopt the same laws. However, in reality, legislators need to consider the diverse levels of development and priorities within each country when crafting laws that can work together and not impede cross-border activities. When talking about legal harmonization, that refers to the process of aligning and unifying legal systems. It is essential to note that key aspect of legal harmonization is the voluntary participation of involved parties [13].

The rapid growth of e-commerce is not limited to goods alone, services are also increasingly being offered online. This development is driven by the rapid advancement of information technology, which aims to enhance welfare and provide convenient access to work and specialized public services. Over the past century, technological advancements had a significant impact on almost every aspect of life.

In this study, consumer protection refers to Indonesian government regulation of consumer-business operator interactions. By placing minimum requirements on businesses and offering recourse when consumers are harmed, those regulations must have protected consumers' interests. The rights and guarantees for the confidentiality of the parties' personal data need to be taken into account with e-commerce transactions between customers and business operators. This is covered by the e-commerce parties' protection. To stop the theft of personal data in e-commerce, the parties must have rights and guarantees for the confidentiality of their personal data.

To build consumer confidence, it is crucial to ensure legal certainty and protection for consumers when conducting online transactions. Consumers are given legal protection under the UU PK to guard against potential losses. The rights of consumers are governed by UU PK's Article 4, which includes:

- (1) the right to convenience, safety, and security when consuming goods and/or services

- (2) the freedom to pick and purchase products and/or services in accordance with the exchange rate and the conditions and guarantees that were promised
- (3) the right to accurate, frank, and truthful information
- (4) the right to have their complaints and opinions taken seriously
- (5) The right to receive appropriate representation, defense, and efforts to settle consumer protection disputes
- (6) the right to guidance and education in consumer matters
- (7) the right to receive services or treatment that is fair, truthful, and without discrimination;
- (8) the right to compensation, replacement, and/or replacement if the goods and/or services received do not meet the agreement's requirements or are not provided properly.

A wide range of subjects are covered by consumer protection law, such as product liability, unfair business practices, fraud, and misrepresentation. In addition to those issues, data protection and privacy are also covered by consumer protection laws. There are so many concerns about data protection and privacy in E-commerce, such as information ownership, information rights control and security. These worries might result in cybercrime in e-commerce. Cybercrime in this context refers to illegal activities carried out using computers and the internet, like accessing consumer data through hacking and spreading viruses through e-commerce platforms. In an online environment like e-commerce, consumers can be more susceptible to harms from purchases of unsafe or otherwise prohibited products. This is due to the wider range of cross-border trade opens up access, so it could be difficult to consumer protection. The vital commodity of business in here are consumer data that can be integral to e-commerce operations. Related to the existence of e-commerce, the law exists as a protector for the parties concerned. This protection is also known as legal protection.

[15] According to Erna Priliasari, a reflection of the implementation of legal functions that have purpose of equity, expediency, and legal certainty is the definition of legal protection. One of the rights that citizen absolutely receive from their country is consumer protection.

Indonesia has a high mobile phone penetration rate and has begun to use e-commerce. Harmonization of consumer protection law in Indonesia can be implicated to preventing the cybercrime of consumers data and other criminal activities. Harmonization of consumer protection law could also enable E-commerce to prosper.

Consumers protection in e-commerce transactions needs to be considered so that it is in line consumer development and requirement. All efforts to ensure legal certainty in providing protection to consumers that are also called consumers protection.

## 4 Conclusion

Based on above discussion and analysis, it can be concluded that the establishment of the global business calls for electronic commerce (e-commerce) system within in world especially Indonesia. In the context of e-commerce, the significance



of a set of national laws that are interconnected and coordinated with each other becomes particularly relevant. This is due to the nature of e-commerce, which transcends both geographical borders and time constraints. Indonesia have regulated e-commerce transactions under the Indonesian Consumer Protection Act (UUPK) and the Indonesian Information and Electronic Transaction Act (ITE Act). However both legal instruments have not yet provided adequate legal protection for consumers engaging in e-commerce transactions. As a consequence, consumer rights are still not effectively upheld as they should be. The assurance of legal certainty and legal protection in e-commerce consumers is one way of reducing the obstacles trade of goods and services in Indonesia and consequently improve the Indonesia's competitive against the rest of the world. One approach to ensuring legal certainty and legal protection for e-commerce consumers is the development of a model law on e-commerce, which aims to legal harmonization for consumers protection.

## 5 Recommendation

Based on conclusion above, it is recommended that the Indonesia government establishes legal harmonization regarding consumer protection in e-commerce transactions. This is crucial considering the importance of consumer protection due to the numerous issues arising from e-commerce, such as data breaches, privacy concerns, hacking, and others. Therefore the Indonesia government should prioritize consumer rights to ensure that legal certainty and legal protection when engaging in e-commerce transactions.

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