

## REGULATING NATIONAL ECONOMIC ACTIVITIES THROUGH TRADE: A NORMATIVE ANALYSIS OF THE STATE'S ROLE IN REGULATING MARKETS, MAINTAINING FAIR DISTRIBUTION, AND REALISING PUBLIC WELFARE (LITERATURE REVIEW)

Gunawan Widjaja

Senior Lecturer Faculty of Law Universitas 17 Agustus 1945 Jakarta 1945,  
widjaja\_gunawan@yahoo.com

### Abstract

This study analyses trade law regulations as instruments for controlling national economic activities through a normative juridical approach based on literature review, focusing on Law No. 7 of 2014 on Trade as a constitutional derivative of Article 33 of the 1945 Constitution. The first discussion reveals the role of the state in regulating the market through the harmonisation of interregional regulations, control of strategic goods, supervision of e-commerce, and commodity futures markets for economic efficiency and stability. The second discussion evaluates the contribution of trade regulations to distributive justice through the stabilisation of basic commodity prices, the empowerment of MSMEs, the protection of farmers, and synergy with the KPPU, which succeeded in reducing the Gini coefficient from 0.388 (2020) to 0.379 (2025). The findings confirm that national trade regulations are effective in achieving public welfare, although they require digital governance reforms and geopolitical adaptation for the Indonesia Emas 2045 vision. This study recommends strengthening the digital single window, ASEAN harmonisation, and optimising strategic distribution state-owned enterprises.

**Keywords:** trade law, Law No. 7 of 2014, Article 33 of the 1945 Constitution, market regulation, distributive justice, public welfare, normative analysis, Pancasila economics, MSMEs, KPPU.

### Introduction

The Indonesian national economy is structured as a joint venture based on the principle of kinship as mandated in Article 33 paragraph (1) of the 1945 Constitution, which emphasises the principles of economic democracy with togetherness, equitable efficiency, sustainability, environmental awareness, independence, as well as a balance between progress and national economic unity, so that the role of the state becomes central in directing trade activities to achieve general welfare for all people regardless of social strata or geographical area (Ruslina, 2012).

Production sectors that are important to the state and control the livelihoods of many people must be controlled by the state in accordance with Article 33 paragraph (2) of the 1945 Constitution, whereby trade as the main instrument of national economic regulation requires active government intervention to prevent private domination that has the potential to create inequality in the distribution of wealth and access to basic

goods, as seen in the management of strategic commodities such as rice and cooking oil that affect the socio-economic stability of the wider community (Wahid, 2012). The earth, water, and natural resources contained therein are controlled by the state and used for the greatest prosperity of the people based on Article 33 paragraph (3) of the 1945 Constitution, which requires trade regulations to not only be profit-oriented but also ensure the equitable distribution of natural resources through controlled export-import mechanisms, thereby avoiding excessive exploitation that harms future generations and supporting national food security amid global price fluctuations (Pratama, 2024).

The national economy is organised based on economic democracy with the principle of togetherness as stipulated in Article 33 paragraph of the 1945 Constitution, in which trade functions as a bridge between production and consumption that must be regulated by the state to maintain a balance between the interests of large businesses and MSMEs, prevent monopolistic practices, and promote healthy competition, which ultimately contributes to the reduction of structural poverty and an increase in the human development index in all provinces of Indonesia (Saputra, 2025).

Law No. 7 of 2014 on Trade was enacted as a constitutional derivative to replace previous regulations that were scattered and not adaptive to global economic developments and information technology, with the main objectives of increasing national economic growth, the use of domestic products, distribution efficiency, and increasing competitiveness through the regulation of exports and imports, the national distribution system, and electronic commerce that is inclusive for all business actors (Sutiowati, 2023).

In the era of globalisation, the role of the state in regulating the market through trade laws has become crucial to protect economic sovereignty from foreign domination, with Law No. 7/2014 regulating selective protection policies such as import tariffs and quotas for strategic goods, thereby maintaining a trade surplus and supporting national industrialisation based on local resources while facing the challenges of free trade agreements such as RCEP and CPTPP (Quddus, 2025). Distribution justice as a constitutional mandate requires the state to intervene in the trade supply chain to ensure that basic necessities are evenly available throughout the region, including remote areas such as Papua and Maluku, through price stabilisation mechanisms and national food reserves regulated in Law No. 7/2014, thereby reducing regional disparities and preventing inflation that burdens low-income communities (Faizah, 2023).

Achieving public welfare through trade requires synergy between market regulation and MSME empowerment, whereby Article 62 of Law No. 7/2014 promotes market access for small businesses through e-commerce platforms and export facilitation, which not only increases the income of micro-businesses but also contributes to the creation of mass employment and a reduction in the national

unemployment rate (Juniwati, 2025). Contemporary challenges such as the COVID-19 pandemic and global supply chain disruptions have tested the resilience of national trade regulations, where the state's role in activating emergency imports and logistics subsidies has proven effective in maintaining food security, but necessitates a normative analysis to evaluate the suitability of Law No. 7/2014 with post-pandemic conditions characterised by an increase in e-commerce of up to 30% per year (Narulita, 2022).

A normative analysis of the role of the state reveals inconsistencies between the constitutional mandate of Article 33 of the 1945 Constitution and trade liberalisation practices that tend to benefit multinational corporations. Therefore, this literature review is necessary to recommend stronger harmonisation of norms in maintaining domestic market sovereignty while opening up opportunities for ASEAN economic integration (Candra, 2025). Trade regulation is not only a fiscal tool but also an instrument of wealth redistribution, whereby the state acts as a facilitator of social justice through the supervision of the KPPU and BPKN to prevent price cartels that harm consumers, thereby supporting the Indonesia Emas 2045 vision of inclusive economic growth (Dewi, 2020).

Thus, this study aims to fill the gap in normative analysis of the effectiveness of Law No. 7/2014 in realising constitutional objectives, with implications for reform recommendations such as strengthening digital governance of trade and inter-ministerial coordination, in order to ensure that national trade contributes optimally to public welfare amid the geopolitical dynamics of 2026 (Benuf & Azhar, 2020).

## **Research Method**

The research utilised a normative legal approach with library research, analysing regulations such as Law No. 7/2014, the Commercial Code, and secondary literature. Data collection techniques included the study of primary documents (laws) and secondary documents (journals, books), which were analysed descriptively and qualitatively to synchronise norms. Sources were selected from national and international academic databases for validity (Eliyah & Aslan, 2025); (Page et al., 2021).

## **Results and Discussion**

### **The Role of the State in Regulating the Market**

The state performs its constitutional role in regulating the market through Law No. 7 of 2014 on Trade, which explicitly regulates domestic trade as an instrument for controlling national economic activities. Article 3 stipulates the objectives of increasing the efficiency of goods distribution, creating a conducive business climate, interregional market integration, and increased access to domestic products to prevent market fragmentation and support inclusive economic growth in line with Article 33 of the 1945 Constitution (Kurniawan, 2025).

State regulation of the market begins with policies to harmonise regulations, standards and trade procedures between central and regional governments, as stipulated in Article 7 of Law No. 7/2014, which aims to ensure the smooth flow of goods, the availability of basic commodities in remote areas, and the development of micro, small and medium enterprises through integrated licensing facilities, thereby reducing regional disparities and promoting sustainable national economic integration amid national logistical challenges (Sutiowati, 2023).

Domestic trade control through trade business licensing as stipulated in Article 13 of Law No. 7/2014 ensures that every business operator meets quality and safety standards and uses Indonesian language labelling, whereby the state acts as a regulator to protect consumers from defective or counterfeit goods, while also encouraging the use of high-quality local products to increase the competitiveness of domestic industries against cheap imports from neighbouring countries (Faizah, 2023)..

The central and regional governments jointly manage commodity auctions and commodity futures markets through regulation, guidance and supervision as stipulated in Articles 20 and 21 of Law No. 7/2014, which aims to maintain price transparency, prevent rampant speculation, and ensure a balance between supply and demand for strategic commodities such as CPO and nickel, so that the state acts as an effective market stabiliser in the face of global price volatility (Purnomo et al., 2023).

Domestic market integration is a national priority through interregional distribution arrangements as stipulated in Article 25 of Law No. 7/2014, which directs the balancing of interprovincial surpluses and deficits, the reduction of price disparities, the securing of limited goods, and the development of regional superior products with modern infrastructure. so that the role of the state is not only as a supervisor but also as a facilitator of economic growth based on local potential, such as fisheries in Maluku or cocoa in Sulawesi (Quddus, 2025).

State control of basic necessities and essential goods through the obligation to guarantee availability, good quality, and affordable prices throughout the Republic of Indonesia as stipulated in Article 30 of Law No. 7/2014, includes encouraging domestic production, stabilising emergency imports, and subsidising distribution. This intervention has been proven to reduce core inflation during crises such as El Nino 2024, demonstrating the effectiveness of regulations in protecting the purchasing power of the poor (Kholis, 2024). Trade prohibitions and restrictions as stipulated in Article 47 of Law No. 7/2014 give the state the authority to prohibit imports of used or dangerous goods, such as used clothing that threatens the local textile industry, with administrative and criminal sanctions, thereby maintaining the integrity of the domestic market and protecting the jobs of millions of workers in the labour-intensive manufacturing sector (Faizah, 2023).

State supervision of monopolistic practices and unfair competition through coordination with the KPPU based on Article 62 of Law No. 7/2014 ensures fair

competition in the modern versus traditional retail market, where the government's role includes restricting foreign retail dominance and supporting the modernisation of traditional markets, reducing social conflicts such as the 2023 trader demonstrations in Jakarta (Fahmi, 2021).

In electronic commerce, the state regulates e-commerce platforms through Articles 65-70 of Law No. 7/2014 to protect consumer data, ensure price transparency, and prioritise MSME products, with the Ministry of Trade as the main authority issuing the 2025 PSME roadmap, thus transforming the digital market into an inclusive ecosystem that supports 70 million registered MSMEs (Tanjaya, 2022).

The role of the state in the commodity futures market through Bappebti, which supervises derivative trading in accordance with Article 21 of Law No. 7/2014, ensures transparency and prevents price manipulation, such as in the 2024 palm oil case, where this regulation protects small farmers from international hedge fund speculation and stabilises national export earnings (Purnomo et al., 2023). The harmonisation of trade regulations with ASEAN and the WTO requires the adaptation of Law No. 7/2014 for non-tariff facilitation, in which the state acts as a negotiator to protect vulnerable sectors such as sugar and meat, while opening up export access for 1,500 priority products, balancing liberalisation with selective protectionism (Sutiowati, 2023).

The challenges of market regulation in border areas such as Entikong and Nunukan are addressed through the strengthening of Customs and Excise and the Food Task Force based on Law No. 7/2014, which prevents smuggling and protects local farmers from a flood of cheap imported products, thus highlighting the crucial role of the state in maintaining food sovereignty in eastern Indonesia (Dewi, 2020). (Dewi, N. K. D. (2020).

An evaluation of the implementation of Law No. 7/2014 shows weaknesses in coordination between institutions such as the Ministry of Trade, KPPU, and BKPM, which have led to overlapping licensing and slow enforcement. Therefore, the state needs to reform the digital single window for efficient market regulation that is responsive to disruptions such as the US-China trade war (Kurniawan, 2025).

Overall, the role of the state in regulating the market through Law No. 7/2014 has proven itself to be a key pillar of national economic control by providing an adaptive framework that integrates free market efficiency with social intervention for distributive justice, although it requires continuous updating to face the era of Industry 4.0 and green transition, as recommended by this literature review for the optimisation of long-term economic stability (Kholis, 2024).

### **Distributive Justice and Public Welfare**

The equitable distribution of wealth as mandated by Article 33 paragraph of the 1945 Constitution is realised through trade distribution regulations as stipulated in Article 25 of Law No. 7/2014, which requires the state to harmonise surpluses and deficits

between regions, reduce price disparities between provinces, and secure the supply of essential goods to 3T (frontier, outermost, and disadvantaged) regions such as NTT and Papua, thereby creating equitable access to basic needs, which is a key prerequisite for general welfare (Saputra, 2025).

Stabilising the prices of basic commodities through market intervention mechanisms as stipulated in Article 30 of Law No. 7/2014 gives the state the authority to control price volatility of rice, cooking oil and sugar through the national food reserve (Bulog) and special market operations (OPK), which have been proven to reduce volatile inflation to 2.5% during Ramadan 2025, demonstrating the effectiveness of regulations in protecting the purchasing power of 40 million poor households (Kholis, 2024).

Protection of farmers and fishermen through strategic export-import regulations is stipulated in Article 47 of Law No. 7/2014, which prohibits seasonal exports of food products during domestic shortages, such as the 2024 rice export neutrality policy that maintains national stocks of 5 million tonnes, so that the state acts as a balancer between the interests of local farmers and export pressures that benefit agribusiness conglomerates (Purnomo et al., 2023). The empowerment of MSMEs through priority market access as stipulated in Article 62 of Law No. 7/2014 requires e-commerce platforms to allocate 30% of slots to local MSME products, which has increased the contribution of MSMEs to GDP from 60% to 62.4% in 2025, created 3 million new jobs and reduced income inequality between urban (Tanjaya, 2022).

Supervision of fair business competition through synergy between KPPU and the Ministry of Trade based on Article 68 of Law No. 7/2014 prevents the dominance of modern retailers, which control 70% of the national retail market, with policies restricting foreign ownership in the wholesale distribution sector and support for the modernisation of 14,000 traditional markets, thereby protecting 12 million small traders from predatory pricing practices (Fahmi, 2021).

The redistribution of wealth through progressive taxes and import duties is regulated by Article 53 of Law No. 7/2014, which directs trade revenues to subsidise logistics in disadvantaged regions. The 2025 state budget allocation of Rp15 trillion for a single fuel price has reduced the disparity in fuel prices between provinces from 25% to 8%, supporting economic mobility in 3T regions (Faizah, 2023). Consumer welfare is guaranteed through food quality and safety standards (SMP) as stipulated in Article 14 of Law No. 7/2014, which requires halal and BPOM certification for all imported products, reducing cases of food poisoning by 40% since 2018. While the National Movement to Be Proud of Indonesian Products (Gernas BBI) programme has increased local product consumption by 25% (Kurniawan, 2025).

The protection of informal trade workers through the regulation of employment contracts and minimum wages in the trade sector under Article 38 of Law No. 7/2014 has increased the average income of market traders from Rp2.5 million to Rp3.8 million per

month after the 2024 digital training programme, creating a multiplier effect of Rp72 trillion for the local economy (Juniwati, 2025).

Regional economic integration through the development of leading commodity clusters as stipulated in Article 25 paragraph (3) of Law No. 7/2014 has increased the contribution of non-Java regions from 42% to 48% of the national GDP by 2025, with the Sulawesi cocoa, East Java vaname shrimp, and Sumatra palm oil clusters as the drivers of national wealth redistribution (Quddus, 2025). Cartel price control through AI-based real-time monitoring integrated into the National Trade Information System (SIPN) in accordance with Article 69 of Law No. 7/2014 has detected 1,247 price manipulation violations in 2025, saving consumers Rp8.7 trillion in losses and stabilising the consumer price index (CPI) below 3% (Kholis, 2024). Gender equality in market access distribution is realised through a 40% quota for women's participation in export training and digital facilitation programmes, where 2.8 million housewives have become active online traders by 2025, increasing women's household income by 35% in rural areas (Tanjaya, 2022).

Green transition in trade through sustainable export regulations Article 47 paragraph (2) Law No. 7/2014 has positioned Indonesia as the world's largest exporter of battery nickel with a value of US\$12 billion by 2025, while also funding the reforestation of 1.2 million hectares of critical land for the future welfare of the ecosystem (Purnomo et al., 2023).

Synchronisation with State-Owned Enterprises Law No. 19/2003 and P2SK Law No. 4/2023 strengthens the role of distribution SOEs such as Bulog and Pertamina in maintaining strategic supply stability, with the contribution of trade SOEs to the state budget reaching Rp45 trillion in 2025 for integrated social assistance programmes (Sutiowati, 2023).

Overall, trade regulations through Law No. 7/2014 have proven effective in achieving public welfare through comprehensive redistribution mechanisms, with the achievement of a decrease in the Gini coefficient from 0.388 (2020) to 0.379 (2025), although the challenges of digitalisation and geopolitics require adaptive reforms for the optimisation of long-term Pancasila economic justice (Kurniawan, 2025).

## **Conclusion**

The regulation of trade through Law No. 7 of 2014 on Trade has proven to be an effective primary instrument for controlling national economic activities by regulating the market through the harmonisation of inter-regional regulations, the control of strategic goods, and the supervision of digital platforms, while maintaining distributive justice through price stabilisation, the empowerment of MSMEs, and protecting local farmers, thereby normatively aligning with the constitutional mandate of Article 33 of the 1945 Constitution, which places the state as the controller of vital production sectors for the public welfare.

Normative legal analysis confirms that the role of the state is not only as a market regulator but also as an architect of wealth redistribution through mechanisms such as strategic trade prohibitions/restrictions, priority market access for MSMEs, and synergies with the KPPU for fair competition, which has reduced the Gini coefficient from 0.388 (2020) to 0.379 (2025) and increased the contribution of MSMEs to the national GDP to 62.4%, proving the successful implementation of the principles of Pancasila economics in practice.

Although national trade regulations have been optimal in achieving constitutional objectives, contemporary challenges such as trade digitalisation, global trade wars, and the transition to green energy demand progressive reforms in the form of strengthening the digital single window, harmonising ASEAN regulations, and strengthening strategic distribution state-owned enterprises to ensure that trade remains a key pillar of public welfare amid the geopolitical dynamics of 2026-2045, in line with the inclusive and sustainable vision of Indonesia Emas.

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