
Gan Lin
ID: 016201300060

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Thesis Adviser

Recommendation Letter

This thesis is entitled “E-Commerce cooperation between China and two of ASEAN Countries, Indonesia and Malaysia: Study on Alibaba Group 2011~2016” prepared and submitted by Gan Lin in partial fulfillment of the requirements for the degree of Bachelor Degree in International Relation the faculty of Humanities has been reviewed and found to have satisfied the requirements for a thesis fit to be examined. I therefore recommended this thesis for Oral defense.

Cikarang, INDONESIA, January , 10th, 2017

Acknowledged and recommended by,

DR. Endi Haryono,M.SI
SKRIPSI ADVISER
DECLARATION OF ORIGINALITY

I declare that this thesis, entitled “E-Commerce cooperation between China and two of ASEAN Countries, Indonesia and Malaysia: Study on Alibaba Group 2011~2016” is to the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or in part, to another university to obtain a degree.

Cikarang, Indonesia, January 10th, 2017

GanLin
The panel of examiners declare that the thesis entitled “E-Commerce cooperation between China and two of ASEAN Countries, Indonesia and Malaysia: Study on Alibaba Group 2011~2016” that was submitted by Gan Lin in partial fulfillment of the requirements for the degree of Bachelor Degree in International Relation the faculty of Humanities was assessed that approved to have passed the Oral Examinations on January 25, 2017.

Hendra Manurung, SIP., MA
Chair - Pannel of Examiners

Isyana Adriani Arslan
Examiner

Dr. Endi Haryono, M, Si
Thesis Adviser
ABSTRACT

Title: E-Commerce cooperation between China and two of ASEAN Countries, Indonesia and Malaysia: Study on Alibaba Group 2011~2016.

Since in 1980 ASEAN has widen its concern into economic liberalization and in 1991 stared to have relations with China, it make great progress in the world. With the deepening of economic change, e-commerce as a new model more flexible to trading and fast delivery characteristics. it bring huge economic benefits to society and promote the productivity of the whole society. ASEAN is the core area for "one road one belt" strategy, and often hailed as the new frontier for e-commerce. With unique geographical advantages, it promotes exchanges and cooperation with Southeast Asian countries and builds important transportation hubs, trade logistics. This research concerns more on trade and e-commerce circumstance in ASEAN countries, especially in Indonesia and Malaysia, total traditional trade and E-commerce business between PRC and ASEAN shows significant progress. Thus, this research aims to analyze of how to improve economic cooperation and trade between PRC with ASEAN, especially in Indonesia and Malaysia, via E-commerce. Historically, China, Indonesia and Malaysia have a dynamic relations era by era. The Trade relations has been getting closer and stronger. At present, E-commerce has potential industry for regional cooperation that could benefit every state within their big population.

Key Words: ASEAN, e-commerce, trade, Alibaba, China, Indonesia, Malaysia.
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Cikarang, 2016

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Gan Lin
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<th>Description</th>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<tr>
<td>PRC</td>
<td>People Republic of China</td>
</tr>
<tr>
<td>AFTA</td>
<td>ASEAN Free Trade Area</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
<tr>
<td>CAEXPO</td>
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CHAPTER I  
INTRODUCTION

1.1 BACKGROUND

With the globalization of the world economy and the integration of regional economy, regional economic cooperation in Southeast Asia attracts increasing attention from academic and political circles. The regional economic cooperation came into being as an alternative from the Southeast Asian countries.

ASEAN-PRC Free Trade Area (ACFTA) was fully implemented in 2010, it has three sectors that agreed by both parties which are trading in goods, services, and investment. Agreements of those three sectors were implemented gradually. Agreement on trading in goods was signed in 2004. the content of agreement was about elimination tariffs on 90% PRC and ASEAN products. It was implemented for ASEAN+6 (Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, and Thailand) in 2010. Agreement of Trade in service was signed in 2007. It was about services and services suppliers/ probers in the region will enjoy improved market access and national treatment in sectors/ sub-sectors where commitments have been made. Moreover, for the investment agreement it was agreed in 2010 that has goals to create a more transparent and facultative environment, and give companies from ASEAN a competitive edge to tap on thriving opportunities in PRC.¹ China’s business in Southeast Asia countries, as well as to find avenues to encourage research involving empirical work on Chinese enterprise. In order to facilitate the discussion, a review was commissioned of research already published

on Chinese business in the five countries: Singapore, Malaysia, Thailand, the Philippines and Indonesia. But in this review emphasized the cases about China’s business cooperated with Indonesia and Malaysia, which contemporary operated and developed. In additional, via ASEAN-Sino cooperatively contract that China and Indonesia have signed an agreement to build a high-speed rail line, and Indonesia president Joko Widodo had met the Alibaba group of executive chairman Jack Ma (Ma Yun) after the G20 Summit in Hang Zhou, and invited Jack Ma who the founder of e-commerce giant Alibaba group to be an economic advisor in Indonesia.

China’s diplomacy and trade policy in 1984-1989, especially in Indonesia, Singapore and Malaysia. Over the decades, the ASEAN regional cooperation was enhanced the regional economic booming and international trade. For ASEAN’s countries has attracted more FDI and MNCs investment to those areas. Sino-ASEAN economic relations are more closed and indeed respectable growth in trade since 1980s to 1996s. But, according to share in total trade and investments data, the records shows that China and ASEAN don’t depend greatly on the other. From ASEAN’s perspective, that depend on complementarities of bilateral economic as well as common political and strategic interests. In the 1985s, when Malaysia’s prime minister Mahathir Mohamad declared during a visit to Beijing that ‘while politics dominated the first decade of Sino-Malaysian relations, and economic should dominated the next decade.’ (Mahathir Mohamad, 1989)

In the part of political security, which China has always deemed to Southeast Asia as an integral part of its security environment. In the theories framework, the author will quote neoliberalism to support ASEAN’s economic cooperations

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2Business News, 2016/10/11, Pos Malaysia plans to provide logistics services to Alibaba, business news in pos Malaysia plans to provide services to Alibaba,
principles and background. In its overall ASEAN policy, China has become even stronger economically, even more influential politically.

Since 1993, all-around China - Asian economic relations all-around China-ASEAN relations have improved greatly through institutionalized bilateral and regional cooperation mechanisms. Sino-ASEAN economies are focus on three factors: economic size, economic system, and economic development strategy. Both sides have more interdependent with the global market.

With the accelerating development of economic globalization and growing diversity of market demand, E-commerce becomes a new economic pattern, e-commerce started in the 1960s, when first experiment meant that data could be electrical exchanged, in the 1990s, this was began to deal to online purchases, so, this was the decade that online retailing really began to take off. An e-commerce transition can be between enterprises, individuals, governments and organization, as a result of technologically development that new economic model that e-commerce play an increasingly important role between ASEAN and China’s economic cooperation, and economic tendency have been effected trade between both side.

China and ASEAN countries have been explore economic cooperation in e-commerce during the 12th China-ASEAN expo in Nanning, the executives from China’s e-commerce giants including Alibaba Group and Jing Dong Ltd. etc. The summit were collectively discussing about “China and ASEAN countries ’s internet plus new economy”, “prospect of China and ASEAN economic and trade information sharing harbor” and “New opportunities of China, ASEAN innovation and business startups.” (Jack Ma, 2016)

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4 Barry Naughton, 2012, China’s Transition in Economic Perspective,
After G20 summit in Chinese city in Hangzhou, Indonesia president Joko Widodo has asked the chairman of Alibaba Group Jack Ma, to act as advisor in the development of the Southeast Asian country’s nascent e-commerce industry, “Alibaba will participate in the development of local small -and medium sized enterprises and young people.” (Jack Ma 2016) Alibaba Group through deep cooperation have been increasing ASEAN with China economic development.

1.1.1. ASEAN Economic Cooperation in IR Studies

China with Southeast Asia economic cooperation can trace back to Tang Dynasty. \(^5\) and China’s maritime trade developed during the Song and Yuan dynasty. However, along with globalization, economic patterns within the global economy has grown more fierce, since 1997 Asian financial crisis till now, that constant development of china with ASEAN regional comprehensive economic partnership. \(^6\)

In recent year, China has been taking economic development as the primary object of their own development, which PRC as a trading superpower that exports a large quantity of goods in various way. In an instance, ASEAN countries markets depend heavily on China, especially as imports. Vietnam’s share of China’s trade statistics flows with ASEAN has increased. In additional, \(^7\) for that the Association of Southeast Asian nations shipped 7 percent (1.295 billion US dollar) of world merchandise exports. Furthermore, Indonesia and PRC are the large market in term in terms of accumulation of population. According to U.S census bureau in 2014, Indonesia has 253,60 million people placed as forth populous country. Meanwhile,


China has 1.3 billion people placed as the most populous country. Within that fact, both of countries have a very potential market and it could become big chance for bot countries to maximizing the potential through maximizing the trading. It is able to boost economic GDP of both countries. In 2010, Indonesia -PRC total trade research US$36,116,829,30 billion. and, in 2014 the trade volume researched US$ 48,230,555,10 billion. Thus, PRC became main trading partner for Indonesia and Indonesia became the forth trading partner for PRC in ASEAN.

The ASEAN regional cooperation has the most important role in International relation studies. which speed up development of economic performance within world pattern.

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>DIRECT</th>
<th>To Third Countries</th>
<th>Re-imported</th>
<th>TOTAL</th>
<th>FOREIGN</th>
<th>TOTAL</th>
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</thead>
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<tr>
<td>INDONESIA</td>
<td>56.3</td>
<td>31.6</td>
<td>0.1</td>
<td>88.3</td>
<td>12.0</td>
<td>100.0</td>
</tr>
<tr>
<td>MALAYSIA</td>
<td>30.9</td>
<td>10.0</td>
<td>0.3</td>
<td>61.4</td>
<td>43.6</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Figure 1.1.
Source: China Ministry of Commerce, via CEIC database.\(^8\)


1.2. STATEMENT OF PROBLEM

ASEAN near to China lines between the Asian continent and Oceania, which communicates with the Pacific and the Indian Ocean, it is of great significance in the international transport and strategic status. China is taking economic development as the primary objectives of their own development. Based on this historical background, there are exists a plenty of diversities of politics, culture and humanism. Actually, China’s enterprises were invested or cooperated with Southeast Asia countries had a plenty of problems. Such as: how do they face the conflict or rule in culture and policies diversities? What is the essential problems between both of countries in trade cooperation and E-commerce model? what is the fundamental facilities to improve China with Indonesia and Malaysia trade index via e-commerce?

In the other hand, according to economic theory, deficit is condition imbalance trade when the export value of a country is less than import value, n that conditions, a country purchase more goods from partner countries rather than sell, which situation is able to impact to economic sectors.\(^{11}\) so, how to use E-commerce


1.3. RESEARCH QUESTION

Thus, the research of the question can be formulated in research question as followed:

“How Does China and two ASEAN countries, Indonesia and Malaysia enhanced their economic cooperation through the new electronic-commerce model from 2011 to 2016?”

1.4. RESEARCH OBJECTIVE

The object of this research is to:

To describe electronic-economic cooperation between China and two of ASEAN countries, which Indonesia and Malaysia in their economic transactions.

To find out the embark of the use of electronic-commerce in increasing economic in their economic transaction between Chinese Indonesia and Malaysia.

1.5. LITERATURE REVIEW


In this book defined Area cooperation as ASEAN sub-regional cooperation, which implies those of Southeast Asian countries have been accelerating economic development in past decades. In especially, while import and exports trade
between China, Indonesia and Malaysia and Singapore. Nowadays, the complex relationship between China and ASEAN combines aspects of cooperation and tension, which China’s aggressive posturing in The South China Sea issues that its increasing naval capabilities and willingness to deploy them. Any benefits from trade must weight against tensions in the security realm. China is involved in territorial disputes in South China Sea with five countries: Vietnam, The Philippines, Brunei, Indonesia and Malaysia. That still has done as good as trade and commercial complements embraced ASEAN countries. Meanwhile, In the chapter, the author provides the data explanations about every single nation’s GDP composition, index of Trade deficit and statistical data of FDI. and overview of ASEAN -China Economic Relations. In this article that according to High -Income ASEAN countries, Middle - Income and Low Income to comparative analysis different countries economic environment.

Singapore, is a small and wealthy ASEAN, unlike most ASEAN members, Singapore is substantial investor in China, as an energy transit hub that that is one-third of its imports and exports consist of fuels and petrochemicals. Indonesia is the largest economy in ASEAN, unlike most of its neighbors, that runs a goods trade deficit with the world, but still higher end of lower -middle income countries. Indonesia exists some issues that with poverty and unemployment, inadequate infrastructure, corruption, a complex regulatory environment, etc. Face all sorts of domestic questions that Indonesia still play an important role in trade cooperation. as author said:

“Nearly half of Indonesia’s imports from China are machinery and electrical products, to the extent that China constitutes one-third of Indonesia’s foreign purchases in this category. Conversely, fuels, metals, wood, and vegetable products make up three-quarters of Indonesia’s exports to China, compared to 45 percent of its exports to the world.”
Malaysia also a huge potential of economic partnership, which domestic economy has performed well over the past decades. However, the Malaysia is not reliant on any one trade partner, which mainly depends on machinery and electrical products, and fuels. but an interesting issues n Malaysia’s export of fuel products, which Malaysia only produced 640,000 barrels per day in 2013, less than 1 percent of global supplies. however, Malaysian exports fuels accounted for 22 per cent in the world. and 11 per cent of its exports to China.

The writer agrees with the statements in this book that is related with China is becoming in a prominent investor ,which making use of its large foreign exchange reserves and seeking to reduce its excuse levels of investment in the domestic market. At the same time, global FDI in ASEAN has been on the rise, increasing from just over $300 billion in 2003 to over $1.5 trillion in 2013. As globalization sweeps on that the economic globalization has brought the interests of countries closely, In instance: ASEAN trade tie provides an advantage market for development of e-commerce. and promotes general trend of international trade development is electronic.

1.5.2 China’s Soft power and Public Diplomacy: An Analysis of China’s New Diaspora Engagement

In this Journal, it is said that the example of China new diaspora period, the article tries to abstract the character and expression of China's soft power and public diplomacy in Xi’s new era. Importantly describe the promotion, difficulty and challenge of overseas China's to China's soft power. It offers referenced opinion and advice for overseas China's to survive and develop, for China's diplomatic and overseas China's affairs department to develop China's soft power. From this journal we know about China's soft power, the relationship between China with other countries and how overseas China's affairs department to develop China's soft power. The writer tells us in this period, there were two major changes for China's
emigration. First, new China's immigrants who originated in mainland China began to occupy a dominant position in the China's overseas population, and second, new Chinese immigrants and second and third generation are have been good educated and more highly skilled than previous generations. So how to attract them back home or serviced to motherland.

Joseph Nye of Harvard University to describe the ability to attract and cooperation rather than by coercion (hard power), that using force or supports long-term benefits or cooperation as a means of persuasion. With China’s economic becoming more and more powerful, more businessman or companies were invested in Southeast countries. On the hand, those expanded the Southeast Asia and, elevating ASEAN commerce and benefiting both emerging and developed regions alike. Other hand, a huge foreign policy development and promote the establishment of the diplomatic system, and improved, and at meanwhile, carrying forward nation culture and soft power. China has been in Indonesia, Malaysia and the other ASEAN countries the latest partner. In particular, China signed a contract about rapid transit railway with Indonesia in 2015, and Alibaba Group chairman of Jack MA was invited to Indonesia e-commerce adviser in 2016.

From the article, the writer supports the statement about how China’s soft power and new diplomacy influence International affairs. And the theories in this book it paves the way for the chapter 2, which introduce China's economic policy and foreign polices in the past decades. In the president xi’s era that stress on rebuild

12 Statistics of Overseas China's Affairs Commission (OCAC), Republic of China (Taiwan), According to the statics of Overseas China's Affairs Commission (OCAC), Republic of China (Taiwan), overseas China's who reside outside Asia has jumped from 5 per cent of total China's diaspora in early 1960s to about 25 per cent in recent years with the United States as the largest non-Asia resident country.

13 Chen Long, Digital age can be a boon to inclusive finance, Wednesday September 7, 2016, the Journal data from GLOBA TIMES, B6.
and development neighbors relationship. Such as “one belt, one road” policy, that orientated ASEAN development economic common interests.

1.5.3 ASEAN- China Free Trade Agreement: A primer, by V.V.Bhanoji Rao, 2008s.

In this Journal, it is said that both China and ASEAN agreed to form a free trade agreement (FTA) because FTA is seen as the best way to achieve the growth and development in both regions. Also, CAFTA provides several benefits for the member countries such as:

• minimize the trade barriers and enhance economic relations among the member countries.
• increase intra-regions; trade and investment and also economic efficiency,
• CAFTA is set by the purpose to create a large market, in which larger market will bring greater opportunities for the business.\(^{14}\)

The authors’s main argument is how the ASEAN Free Trade Agreement has affected trade with nonmembers and external tariffs facing nonmembers. First, the paper examines the effect of preferential and external tariff reduction on import growth from ASEAN insiders. The analysis finds no evidence that preferential liberalization has led to lower import growth from nonmembers. Second, it examines the relationship between preferential tariff reduction and MFN tariff reduction. The analysis finds that preferential liberalization tends to precede external tariff liberalization. To examine whether this tariff complementarity is a result of simultaneous decision making, the authors use the scheduled future preferential tariff reductions (agreed to in 1992) as instruments for actual preferential tariff changes after the Asia crisis. The results remain unchanged, suggesting that there is a causal relationship between preferential and MFN tariff reduction. The findings

also indicate that external liberalization was relatively sharper in the products where preferences are likely to be most damaging, proving further support for a causal effect. Overall, the results imply that the ASEAN agreement has been a force for broader liberalization.

The writer agrees with the statements in this journal that is related with AFTA, as well as CAFTA, AFTA also minimizes trade barriers, as example the tariff removal policy is helpful for the businessmen in Indonesia who import goods from abroad. Based on writer’s survey of e-commerce in Indonesia, the e-commerce cooperation are those obtain the benefits as well. With the tariff removal policy, they can import the goods from abroad without have to pay an extra charge for the goods, and perfecting and developing ASEAN e-commerce platform. This will be seen as an opportunity for global e-commerce as well. Furthermore, the market will grow larger and later will stir to the growth of economics in the e-commerce business.

1.5.4 The Pain, Gain, from CAFTA, Winarno Zain, Tue, April 26 2011.

This article explains about the negative side that might happen due to the implementation of CAFTA. For instance: as a big number of imported goods from China arrived at the local market, the Indonesia producers are affected-not in a good way. China products have the strengths: a) cheap and b) reasonable quality. Later this might make some businessmen close their businesses; and not to mention the workers that they have to fire and worst. it increases the number of unemployed in the country. In this article, it is also stated that apparently without CAFTA, China has been a major supplier for the Indonesian as high demand of raw materials and machinery comes from the Indonesian.15

The writer supports the statement about how China becomes major supplier of raw materials for the Indonesia. China’s cheap and reasonable products/materials make the Indonesian favors those products/materials a lot. On the other side, it makes sense that China’s products affected the local products existence. AFTA which has similar policies with CAFTA also created both pain and gain due to its implementation. With the raw materials from China in the market. In instance: e-commerce cooperation cross whole world, that AFTA implementation supports could lower the costs of production. yet, on the other hand, the local SMEs and traditional commerce are affected and it might drive them out.

1.6. THEORETICAL FRAMEWORK

1.6.1 Regional Cooperation

After World War II, have been invented the term of “regionalism”, a among a large amount of countries seek to strengthen their economies by “regional cooperation” has become a major trend. In the study of International Relations, we normally think of Regional cooperation as referring to relations between two states, the term Regional Cooperation is also used to refer to a strategy of how relations are conducted. (Ravenhill, 2011)

Regional cooperation is a process led to major developments in International affairs and among a large amount of countries. It’s necessarily in international investment and International relations. And the similar agreements more than one, such as Bogor Declaration and Regional Trade Agreements (RTAs) and FTAs, etc. and that is focus on process of globalization.

The classical scholar Haas offered relative theories about “regional integration and cooperation”, that “integration” implies a well-developed cooperation that has led to the creation of new polity bring together a number of different constituent units, thus, “Integration” is understood as a process. And “cooperation” as
the initial stage of process. Regional economic cooperation are more important for developing countries. because regional strategies may to some extent fill the gaps in the system of the global economic governance as well.

Regional cooperation has various form and degrees, in general, regional trade agreements promote trade and other cross-border cooperation through elimination of tariffs and other trade and economic barriers. That including two aspects: 1), policy driven regional integration that liberalize or facilitate on regional basis. 2), market driven integration that emergence of international production networks (FDIs, MNCs).

The last few years have the huge changes in qualitative into quantitative that related to the Area Cooperation scheme. The top three major changes were:

• Further regional cooperation
• Closed regionalism to open new economic model
• Advent of trade blocs

Further regional cooperation that is recognized effective integration is the most important aspect, thereby, through reducing tariffs, quotas and barriers will provide effective solutions. and it was first implemented in the Single market programme


in the European Union. \textsuperscript{20} It has driven the international trade development. Especially in ASEAN regional cooperation that accelerate ASEAN countries’s economic growth, social progress, and cultural development in the region. historically, reflecting to ASEAN countries trade index, especially in Indonesia, China, and Malaysia trade relations. At meanwhile, that reduce historical conflicts and foster regional peace and stability without interventions in domestic affairs. \textsuperscript{21} Then, closed regionalism to open model its arise in developing countries during the 1960s and 1970s. and this agreements tend to be more forward in their outward approach as well as show commitment in trying to advance international trade and commerce instead to trying to put a cap on it by way of strict control. The last one is about advent of blocs, its tend to draw in some parity between high-income industrial countries and development countries with a much lower income base in that tend to serve as equal partners under such a system.

ASEAN countries exists several differences, that not only does the region contain every major religion and form of government, but it is have huge disparities in wealth distribution and social and demographic circumstances. Nowadays, the regionalism is being pursued not only as a goal but also as supplementary method for advancing state development. Thus, regional cooperation will focus on the form and content of cooperation.

\textsuperscript{20} Bamey G. Glaser, Anselm L. Strauss. 
\textit{The Discovery of Grounded Theory: Strategies for Qualitative Research}

\textsuperscript{21} Shandre M. Thangavelu* and Aekapol Chongvilaivan. \textit{Free Trade Agreements, Regional Integration and Growth in ASEAN}, P.1.
Figure 1.3 the data shows FTAs signed under the negotiation as of January 2006.\textsuperscript{22}

1.6.2. Neoliberalism

As short in \textit{What is Neoliberalism} the author was mention about “Neoliberalism is in the first instance a theory of political economic practices that proposes the human-vein can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices”\textsuperscript{23}

\textsuperscript{22} Note: the data shows FTAs signed under the negotiation as of January 2006
East Asia is defined here as the 10 members of ASEAN, China, Japan and Korea.

\textsuperscript{23} By Thorsen, D.E.& Lie,A.(n,d) , \textit{What is Neoliberalism}? Department of political science
University of Oslo.11.
David Harvey explains Neoliberalism as a theory where an individual person is allowed to have the freedom of doing business, in which this freedom is managed by the state, although the state shall not interfere too much or too far. In this cases, it may be concluded that transitional e-commerce follows Neoliberalism.

1.6.3. Foreign Policy

Foreign policy defined as the actions of (state) government practiced to promote national interests beyond a country’s territorial boundaries. Basically, it refers to the first type of relationship of actors in international relations, which is conserved with state actions and reactions to events and processes that took place in international affairs.  

Foreign policy analysis (foreign policy analysis) Early also called comparative foreign policy, is the political disciplines research in how to develop a branch of foreign policy. About foreign policy analysis theories from 1954, R. Snyder published "Decision-Making Approach to the Study International Politics".

The study of foreign policy research began in the 1930s. At that time, some scholars applied some basic concepts and methods of psychology to the study of diplomatic decision-making. Most scholars mainly studied the characteristics of the country, they were focus on attitude of the war, the public influence on foreign policy. Since these scholars lacked the background of international politics or international relations.“the war began in the mind” its meant idea of launching a war in the minds rather than national interests led to outbreak the war. In this paper, state foreign policy promote ASEAN economic growth and regional integration, thus, foreign policy play the most important role in political globalization.

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24 Endi Haroyono and Muhamad Afifi Abd Razak. *International Relations: Analyzing Foreign policy* P121.

1.7. SCOPE AND LIMITATION OF STUDY

This research focuses on the analysis of benefits and challenges of China and two of ASEAN countries, which Indonesia and Malaysia in trade and E-Commerce cooperation from 2011-2016. Specially attention will be on the Alibaba Group development in Indonesia and Malaysia.

1.8. RESEARCH METHOD
This research will be made up by Qualitative Research and Descriptive Research, which are broad methodological approaches that contain many search methods.

The research use qualitative method of research, which includes analyzing observations on the state of affairs. This thesis use library method which includes analyzing the historical records and documents available. This process of collecting these policy documents will be require a substantial and critical process of prioritizing what to include and what exclude. In this process the author will review secondary sources. i.e. literature on the subject, in order to consider how observers and experts see this case.

“Case study methods have dominated the International Political Economic subfield over the past decades. Case studies have illuminated virtually every subject investigated by International political economists: imperial expansion (e.g, Eyck 1958; Wolff 1974, Rosen and Kurth 1974, Fieldhouse 1973) that first initiated to implemented in the International Relations study.”

Thereby, it was encouraging the use of qualitative research more widely in International Relations issues, the qualitative research uses rich of the tools or materials to analyze that horizontal versus vertical of view.

The qualitative methods main component the why and how, not just what, where, when and who, which qualitative research is extensive use among political science, sociology, and anthropology search. The qualitative compares with quantitative methods the biggest difference is flexibility, quantitative methods have relative inflexibility. Qualitative took on more interaction between the participant and researcher. Return topic of Southeast Asia, analyzing qualitative

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methods need to collected a plenty of materials, because that is like a series of single connection points composed a international issues. It would be able to give a new perspective to help researches to find the identification of the correlated if overall system.

In my thesis entire theme is about Southeast Asia. So, i will collect a plenty of researches or interviews input my thesis, such as: journal clippings and books, or shooting an interview or make statistic test purpose that more flexible and comprehensive of the methods. Southeast Asia is one part in International Relation that contacts thousands of history and the humanities studies. So, i have to overlook whole perspective view on this issue. For those researches should set any variables and indicators in each cases about Indonesia and Malaysia, which needed to be compared by looking for its differences and progress.

By seeing those aspects, the researcher would get a generalization and start to do a research to get answers upon the question through the flexible materials. In analyzing International relations issues, the qualitative research can be applied to the research that more flexible and comprehensive to get relevant informations.

1.9. THESIS CHAPTERS

Thesis consists of five chapter, the structure of thesis will be listed bellow:
- **Chapter 1- Introduction**

This chapter contains important parts of the thesis such as background of study, problem identification, statement of problem, research objectives, theocratical framework, literature review, research methods are involved in the first chapter. The propose of this chapter is to make the readers understand what the topic of the search is, what the topic of the research is, what the theories that the writer users to discuss the topic and facilitate the information needed for the readers before going to read the following chapters.
• **Chapter II- China’S Economic and E-Commerce policy**

The content of chapter II is about the dimension of the electronic - commerce and the trade between China with two of ASEAN countries, and China economic policy with ASEAN countries. In especial that Indonesia and Malaysia. The purpose of this chapter is to proof that regional cooperation has played a significant role in contributing national economy.

• **Chapter III- E-commerce Circumstances in Indonesia and Malaysia**

In this chapter, the writer provides dimension of the electronic- commerce in ASEAN countries, the writer will introduce ASEAN region e-commerce situation and circumstances. In the last will explain how to implementation this new economic model in ASEAN countries, in especially in Indonesia and Malaysia.

• **Chapter IV- Alibaba Group Expansion to Indonesia and Malaysia**

In this Chapter consists of explain about electronic- commerce, the writer will introduce Alibaba Group, which compared with traditional commerce. Moreover, the writer will analysis of advantages and disadvantages of Alibaba Group. How does Alibaba Group faces the challenges and problems in Indonesia and Malaysia in the further.

• **Chapter V- Conclusion**

In this chapter consist the conclusion of the research conducted by the writer.
CHAPTER II

CHINA’S ECONOMIC AND E-COMMERCE POLICY

The aim of this chapter is to introduce about China’s e-commerce policy with ASEAN countries, in especially, Indonesia and Malaysia. These chapter is completed in order to provided a clear historical, political and cultural context in which its economic development has occurred in China. In supporting this research, author had reviewed several literatures and other related writing. The material of this chapter is coming from books and journals.

II.1 CHINA ECONOMIC OVERVIEW

China is the most populous country over the world within 1,355million people, lately China emerged as new economic superpower country surpassed USA. China economic reform influenced a lot of in boosting its economic development. It was
happened in 1978 when Deng Xiaoping became leader of China, the strategy was shifted from five year planning system that was modeled also Soviet Union into market oriented system which is more likely as liberalism system.

China launched open-door policy that give chances for foreign trade and investment entered to China and it was significantly helpful in growing China economic. Thus, China is really attracted market for every-state.

Below the top ten export of China in 2014 follow:

<table>
<thead>
<tr>
<th>Top 10 Exports of China in 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Equipment</td>
</tr>
<tr>
<td>Machines, Engines</td>
</tr>
<tr>
<td>Furniture, Lighting</td>
</tr>
<tr>
<td>Clothing</td>
</tr>
<tr>
<td>Medical, Technical</td>
</tr>
<tr>
<td>Plastics</td>
</tr>
<tr>
<td>Vehicles</td>
</tr>
<tr>
<td>Gems, Precious Metals</td>
</tr>
<tr>
<td>Iron, Steel products</td>
</tr>
</tbody>
</table>

China has very good strategy in keeping its economic rising, nevertheless, the weaknesses in China possessed that lack regulation of intellectual property rights (IPR), and China strength which largest export exports over the world is able become threat and weakness.

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II.2 CHINA’S ECONOMIC POLICY

China to begin its economic reforms and the way in which Deng Xiao Ping crafted the new development path in 1978. At meanwhile, they were draw up “market socialism with Chinese characteristics” for new China’s economic development path, and its emerging economic issues and concerns are highlighted, facing China as a result of global economic recession and the economic challenges.

Since 1978, China has been experienced huge institutional change which has proven to be effective promoting in economic growth and is advancing international status. The Chinese former president Deng xiao ping said:

“The purpose of China’s reform to be developing socialism with Chinese characteristics” ²⁸

Initially, Deng Xiaoping’s major objectives were to promote economic growth and maintain the position of the Chinese communist party in China. For China’s reform that focus on transformation of economic system and industry. such as:
• Enterprise function were to be separated from government, which was ensure that investment and production decisions weren’t relaying on government, furthermore, enterprises has to establish economic responsibility system, it meant that government does not support any forms of financial aid or state enterprise with soft loans in the long-term. ²⁹

²⁸ Deng Xiaoping, 1984
²⁹ 《China’s Transition in Economic Perspective》 Author by: Barry Naughton, http://www.olemiss.edu/courses/pol387/naughton99a.pdf
• Through international economic cooperation and investment, trade, and exchange to promote China’s economic development and openness.  

Deng Xiao Ping’s economic reform direct influence on China’s economic policies. And Jiang Zemin and Hu Jintao continued advancing China’s economic reforms and adjusted core terms to changing economic circumstance. Their core politics which would promote the rapid economic development in China. However, while Chinese economy development, also appeared all sorts including the industry's internal development is uncoordinated, and the level of development is also relatively low, pollution, environmental problem as a result of its economic transformation.

It is well known that economic growth is a result of a combination a certain way of factors, that is, the structural problems of economic growth. In supporting the structure of economic growth, the most important factors when pushing the production structure and industrial structure. It is these structural changes, making China's economic growth has entered a new period.

<table>
<thead>
<tr>
<th>Year</th>
<th>a</th>
<th>1-a</th>
<th>Potential growth</th>
<th>Growth Rate of Capital</th>
<th>Growth index of labor force</th>
<th>Index of technical progress</th>
<th>Index of energy saving</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-10 15</td>
<td>0.7</td>
<td>0.3</td>
<td>7.8-8.7</td>
<td>10-11</td>
<td>0.8</td>
<td>0.2</td>
<td>-1</td>
</tr>
</tbody>
</table>

30 Ibid.
Over the past 30 years, China's industrial structure changes in the basic trend is:

a) decline in the proportion of primary industry
(This includes agriculture, forestry, fishing and mining\(^{32}\)), b) secondary industry (especially manufacturing) the rapid increase, c) tertiary industry proportions has low growth\(^{33}\). This corresponds to China's industrialization process, which the essence of this process is that a large number of labor force and resources are transferred from industries with low labor productivity, such as agriculture, cultivation and aquaculture, to secondary industries with higher labor productivity, namely, manufacturing and construction. Since the secondary productivity of labor

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is much higher than that of the primary industry. (in China, labor ratio in manufacturing is 10 times than agriculture), this shift means that the labor productivity of the economy as a whole is increasing and the economic growth rate is accelerating. This is "structural growth." However, after 30 years of development, China's second production has become saturated, population and resources began to transfer the tertiary industry. However, labor productivity in China's service sector is much lower than in the manufacturing sector. Based on this difference, when more and more labor power and resources from the manufacturing sector to the service industry, the Chinese economy as a whole will decline in labor productivity, the economic growth rate determined by the inevitable decline. In the past 30 years, research up to 10 million labor input growing in per year. That is to support China's rapid growth of the main factors. However, with the declining population, and the aging of the population becoming more and more serious, the growth rate of labor input will tend to decline, and frictional unemployment and structural unemployment will also coexist for a long time. In terms of capital investment, China's capital investment growth rate has been increasing year by year in the past 30 years. However, in recent years the population is aging and the end of traditional industrialization, has led to China's savings rate tends to decline for decades. Which makes the inflation-free capital investment also showed a gradual decline trend. The dynamics of technological progress are still disappointing. We hope that technological progress can play an active role. However, the low rate of return on capital, slow technological progress, has been a major problem for China’s economic. In short, labor and capital investment growth rate are decline, technology are lack of progress, these three factors leading to the future of China's economic growth tends to decline.Moreover, China is facing many challenges in the process of transitional economy, not simply about labour resource, but still shortage of innovation
technology, technological competitiveness, as well as pollution, resources wastes, income inequality and with little government oversight, etc.

In 2013, President Xi Jinping unveiled new China’s economic policy “The Silk Road Economic Belt and the 21st Century Maritime Silk Road Policy”, which new economic strategy were identified as significant elements by China’s growing economic power and influence in order to strengthen and expand cooperative interaction. For China’s new economic strategy create an integrated economic web of mutually beneficial economic, social and political relations. and meanwhile, that enhance a sense of common security. So, this new strategy termed “ one belt and one road ”.

“One belt, one Road” initiative has steadily gained in importance as a major element of Chinese foreign policy. and which run from 2016 to 2020 and guide national investment strategy throughout that period. The belt and road run through the continents of Asia, Europe, and Africa, and the silk road focuses on bringing together China, central Asia, Russia and Europe, Linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia, and connecting China with Southeast Asia, South Asia and the Indian Ocean. This strategy is like a huge economic web to promoted economic cooperation, because which including a range of more than 60 emerging market countries and developing countries.

Over the past three decades for China’s economic reform and opening-up, China's export-oriented economy has achieved leapfrog development and realized deep integration with the global economy.

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34 Michael D. Swaine, “Chinese Views and Commentary on the “One Belt, One Road” Initiative” http://www.hoover.org/sites/default/files/research/docs/clm47ms.pdf

II.3 CHINA - ASEAN ECONOMIC RELATIONS

For China, the Southeast Asian countries have geographical associated with China, and is mostly in developing countries, and China has many common interests. Improving the multilateral and bilateral relations with Southeast Asian countries, which is great significance for China's sustained and stable development.

China and ASEAN has very good and strong relationship in many guilds especially economic sector. Based on history China-ASEAN relation was begun from July,19,1991. Then, ASeAN-China proceed to conduct cooperation as consultative partner.

There are three main aspects for development of China and ASEAN countries relationship:

Firstly, deepening economic and trade cooperation is a strong force for the improvement of relations between China and Southeast Asian countries. That is a historic changes between China's relations with Southeast Asian countries, and benefiting from China's great achievements in reform and opening-up. Since the 90s of last century, China's comprehensive national strength has increased significantly, and displays the huge potential development. by contrast, Southeast Asia generally faced unreasonable economic structure, economic development strategy of single and the other issues. Although ASEAN has expanded its scale. It is still only a small countries group, and it has not formed a close and mature regional cooperation organization. In this case, it is in the interests of Southeast Asian countries to improve relations with China.

Second, properly handling relations with the United States, is the prerequisite for China developing its relationship with Southeast Asian countries. Especially in the political and security fields to avoid challenging the dominant position of the United States in Southeast Asia, is comprehensively improved relations between
China and Southeast Asia countries. The development strategy adopted by China is conducive to building a new type of Sino-US relations. As far as Southeast Asia is concerned, the Southeast Asia can not leave security provided by the United States, but also can not do without China's economic development opportunities and the leading role in non-traditional security cooperation.\textsuperscript{36}

China as new emerging superpower in economic views ASEAN as it third largest trading partner and ASEAN views China as its main trading partner. Furthermore, after ACFTA implementation during 2009-2014 it has create serval economic partnership. They have conducted economic partnership on many sectors that make the relation strong.

The foreign policy adopted by the Chinese government is the main reason for the common development of China and Southeast Asian countries. And through the development and common prosperity with Asian neighbors, the way will be achieved.

\section*{II.4. ECONOMIC COOPERATION BETWEEN CHINA AND ASEAN COUNTRIES}

With the change in international pattern of the US and the Soviet Union, and after the end of the Cold War, China has also carried out the good-neighborliness and friendship principle. So China and Southeast Asia's diplomatic relations rapidly heating up, Singapore, Brunei and other countries have begun diplomatic relations with China. ASEAN also agreed in 1996 to become a full-fledged dialogue partner, and the following year, Chinese leaders attended the ASEAN-China meeting in Kuala Lumpur, Malaysia. At the meeting, the China-ASEAN

partnership was widely recognized and the good-neighborly relations between China and ASEAN were established for the first time in the Joint Statement of the Summit of the People's Republic of China and the ASEAN Countries.

China and Southeast Asian countries in the process of common development, there are many common values. And clearly that the two sides in the process of cooperation, for regional development has an important strategic role. Since the 21st century, the leaders of China and Southeast Asian countries have paid more attention to exchanged frequently of visits and signed the Framework Agreement on Comprehensive Economic Co-operation between China and ASEAN. Began to build China - Southeast Asia Free Trade Area. The formal launch of the free trade zone, bilateral trade volume growth year after year, China has become the first ASEAN trading partner. And with the deepening of economic cooperation, China and Southeast Asian countries in the Mekong River region development cooperation, and achieved important results.

Trade and economic ties between ASEAN and the China have been growing rapidly. China has been ASEAN’s largest trading partner since 2009, while ASEAN is now China’s third-largest trading partner. Bilateral trade stood at USD 318.6 billion in 2012 and is targeted to reach USD 1 trillion by 2020. In November 2002, both sides signed the Framework Agreement on Comprehensive Economic Cooperation that established the ASEAN-China Free Trade Agreement (ACFTA) realized on 1 January 2010. The China-ASEAN Expo (CAEXPO) has been organized and hosted by China annually in Nanning since 2004 to showcase products from ASEAN and China. The ACFTA has a very large growth potential. It comprises a market of almost 2 billion people and USD 3 trillion in gross domestic product. Notably, bilateral trade relations between China and ASEAN are now reciprocal in that China is no longer the exporting competitor of past decades. It is now an important consumer market for ASEAN, which in turn is growing in
importance to China’s manufacturing sector. Moreover, ASEAN is now China’s fourth-largest destination for outward investment and its third-largest source of foreign direct investment. Two-way investment is targeted to reach USD 150 billion by 2020.\(^{37}\)

In socio-cultural fields, cooperation between ASEAN and China is very broad, which including education, culture, public health, foreign director investment, labour, media, youth and social development. For example, on education, since 2010 ASEAN and China have made efforts to “Double 100,000 Goal of Student Mobility” that envisaged the number of exchange students from ASEAN countries to China to reach 100,000 by 2020 and vice versa. Ten ASEAN-China Education and Training Centers have been established in six Chinese provinces. ASEAN and China also designated the 2014 as ASEAN-China Cultural Exchange Year, and an ASEAN-China Centre has been established in Beijing as a one-stop information centre promoting ASEAN-China cooperation in trade, investment, tourism, education and culture.

So, China hopes to improve its relations with neighboring countries through bilateral and multilateral policies under “good neighbor diplomacy,” in recent years, China’s service trade has developed rapidly for the ASEAN, in especially in the fields of services investment, tourism, project contracting and labor service cooperation. ASEAN has become an important market for service trade in China. At the same time, ASEAN's investment and cooperation with China in shipping, air transport, financial services and construction engineering services has become an important component of China's trade in services. From the overall, the establishment of a dialogue between China and ASEAN and the established free trade area, to promoting the comprehensive development of bilateral economic and

trade relations in the trade services field, which brings tangible economic benefits to each other, have become the important basis for the development of China - ASEAN relations and powerful driving forces.

II.4.1. Tourism

Tourism has become the world's fastest growing economy, and one of the most dynamic emerging industries, the World Tourism Organization predicted that the tourism industry in the next 20 years will be an average annual growth rate of 8% to 10%. Is an important trend in the development of world tourism is that the focus of international tourism flows is transferred to the Asia-Pacific region. The 21st century is the peak of Asia-Pacific tourism, which ASEAN and China being the main areas. China - ASEAN borderless tourism circle is completed, will be a world-class gold tourism circle, which can more effectively play the region's tourism resources effect. For China, under the existing facilities and development environment, through regional cooperation, it can in a short time to enhancing the overall level of the western tourism, the formation of a relatively complete product portfolio, it is possible to maximize the promote industrial structure optimization and upgrading.

II.4.2. Convention and Exhibition

Exhibition industry through the use of convention and exhibitions to carry out information exchange, to discuss economic cooperation and marketing activities, which can form economic and social benefits, with a wide impact, strong industry association, low cost, high efficiency, pollution-free characteristics. The China-ASEAN Expo and ASEAN-China Investment and Business Summit held successfully, it not only as an important place for promoting the political, diplomatic, economic, trade and cultural exchanges between China and ASEAN countries, and accelerating the process of regional economic integration, The organizers and the
host city - Guangxi's economic and social development. China-ASEAN Expo as a grand international exhibition, showing its Nanning, Guangxi, logistics, tourism, catering, business and other related industries a huge pulling function.

In addition to the China-ASEAN Expo, the government-led China-ASEAN Agriculture Expo, the China-ASEAN International Tourism Cooperation Forum, the China-ASEAN Free Trade Area Legal Affairs Forum, the China-ASEAN Business Council and the China International Southeast Asia Food and Agriculture Development Forum etc.

So, ASEAN International Forum and economic cooperation, on the one hand, stimulating the economic and trade for many ASEAN countries, on the other hand also need a large number of economic and trade, law, foreign languages, international finance, science and technology culture, logistics and other aspects of talent, and improve the soft power and education level.

II.4.3. Contracted Projects

With the economic recovery in Southeast Asia, more construction projects, which in basic energy and infrastructure projects, in especially electricity, transportation project and other projects will maintain a obvious growth momentum. Southeast Asian countries have to improve the investment environment, attract foreign investment, increased investment on infrastructure, basic energy, particularly in Indonesia. This change in Southeast Asia has bring favorable conditions to China. At the same time, China's growing economic strength and the establishment of bilateral and multilateral cooperation mechanisms between China and ASEAN countries also create a favorable external environment for engineering contracting. such as: China and Indonesia state-owned companies signed a US$5.5 billion deal to build the first high-speed railway in Southeast-Asia.
Chinese companies in Malaysia after more than 10 years of business development, in the power generation equipment, substation, port dredging, road expansion, real estate development, building construction has made remarkable results, driven by mechanical and electrical products and complete sets of equipment exports.

China's major contracting projects in Indonesia include: Sichuan DongFang and Harbin Power Station complete sets of equipment companies to build thermal power station project; China Metallurgical Corporation, Liaoning Machinery Import and Export Company, Anshan Iron and Beijing Machinery Import and Export Company, Panzhihua Iron and Steel jointly Indonesia's national railway transformation of the rail supply projects, and so on.

Chinese enterprises not only built a batch of good quality, large-scale, high-tech projects, an increase of local employment and taxation, also for the introduce the high level of equipment and technology, training of technical personnel in the local good effect, won a good reputation.

In summary, Chinese enterprises in Southeast Asia to carry out engineering contracting and labor cooperation, to the conducive of China - ASEAN Free Trade Area, as an opportunity to vigorously develop the ASEAN contracting and labor cooperation, and strive to improve the market share in the ASEAN. From the perspective of economic development of China and ASEAN members, they are facing the arduous task from industrial structure adjustment, developing the service industry, expanding the opening-up of service industry, and the development and new cooperation in e-commerce industries.

Especially with the development of China-ASEAN Free Trade Area, the two sides in the trade in goods and other industries continue to increase investment, will inevitably further increase the distribution center, logistics, finance, insurance
and other e-commerce services demand will give both sides service providers bring new opportunities.

II. 5.1 CHINA AND INDONESIA

![Source: Ministry of Trade](image)

Being the largest ASEAN country and rich in resources, Indonesia is of strategic importance for the development of the region. Both exports and imports have been growing significantly since the first round of ACFTA implementation.

The make-up of Indonesia’s trade links to China at its core is typified by the export of commodities and the import of a wide range of goods utilized at both the industry and consumer level. Given each country’s relative positioning – one a resource-hungry market keen to power the world’s largest manufacturing sector, and the other a resource-rich market lacking the local manufacturing
capabilities to meet domestic demand – the development of trade relations of this nature is not surprising. The implementation of the ASEAN China Free Trade Agreement (ACFTA) in 2010 further consolidated this dynamic and soon saw an influx of Chinese imports into Indonesia and the ascendancy of Indonesia as one of China’s top suppliers for coal and rubber. In 2011, China became the top destination for Indonesian exports of these commodities, accounting for 30% and 25% of total exports, respectively, and consistently placed among the top three recipients in the years that followed.

![Indonesia’s Trade Deficit with China (in billion USD)](image)

**Figure 1.6 Source: Ministry of Trade**

According to this form, that very small magnitude of decline between China with Indonesia, which Indonesia more dependence on its cheap manufactured goods, such as: textiles, garments, footwear, electronics, toy, furniture, steel, chemicals and machinery, etc. While, the shipment of Chinese goods into Indonesia fell by only 2.61%.

From the data graph analysis, which trade deficit increased in 2014, the ready availability of imports from China that were more cost-effective to procure than

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38 Ministry of Trade of Indonesia, September, 2014, The Economist Intelligence Unit, 2014
locally-sourced alternative. However, as a result of reliance on imports, with a weak Rupiah leading to skyrocketing costs for Indonesia manufacturers already contending with a rise in labour and electricity cost. Because electricity accounts for 20-35% of total production costs for textile companies and a rise in its price is expected to test the local industry's competitiveness.

II.5.2 CHINA AND MALAYSIA

Malaysia was the first nation among the ASEAN members to forge diplomatic relations with China in the 1970s. The two nations have committed to bilateral trade integration, in addition to support for the multilateral framework within the ASEAN+6 regime. Despite the tough competition in manufacturing exports, Malaysia’s liquefied natural gas remains a highly demanded energy resource in China. The natural rubber, tourism and education sectors have also been important sources of revenue for Malaysia vis-a-vis China. At the same time, China recognizes Malaysia as an influential player within ASEAN and various ASEAN-driven collaboration platforms, such as the ASEAN Regional Forum and the East Asian Summit. China is now Malaysia's largest trading partner, second-largest export destination and largest source of imports.
➢ With the rapid growth of Bilateral trade

Since the establishment of diplomatic relations between China and Malaysia in 1974, the two governments have signed numerous agreements on trade and economic cooperation. In 1998, the Economic and Trade Joint Commission and the China Malaysia Bilateral Business Council were established in 2002, there were promoted China and Malaysia economic development. Trade between countries has continued to grow. Specifically, bilateral trade between China and Malaysia showed a certain degree of growth, but the growth rate is slow, and China to maintain trade surplus status. Since the 1990s, trade between China and Malaysia began to accelerate, and China's trade with Malaysia began to shift from a trade surplus


to a trade deficit and a widening trade deficit. In the 21st century, bilateral trade between China and Malaysia has grown rapidly.

➢ Bilateral trade in goods structure optimization

Since the 1980s, industrial manufactures have gradually increased in their share of intra-industry trade between the two countries. In 1997, manufactured goods accounted for more than 70% of the total amount of China’s exports to Malaysia. Over the same period, the Malaysia's manufactured products have begun to enter the Chinese market. In the bilateral trade between China and Malaysia, Malaysia's exports to China are mainly mechanical and electrical products, mechanical equipment, animal and oils, rubber and products and fossil fuels. Malaysia's imports from China are mainly mechanical and electrical products, machinery and equipment, crude steel, steel and plastic products. China has become Malaysia's second largest export trading partner and the largest importer. China and Malaysia in the mechanical and electrical products, chemical products and other products of the transaction volume is growing, the two sides continue to optimize the trade structure, and continue to expand new areas of cooperation.

II.6. E-COMMERCE POLICY

In 2013, the country racked up $314 billion in online sales, easily surpassing the US, which tallied $255 billion. Globally, China accounted for 35% of eCommerce. The e-Commerce revolution has also become a dynamic engine of China’s long-awaited shift from a heavy-industry, export-oriented, semi-command economy into a consumer- and service-driven market, where private companies large and small have direct access to domestic consumers. This demand, in turn,
could fuel stable, sustainable, long-term growth, perhaps marking China’s ultimate arrival among developed markets.

When China began opening its doors to the world in the 1980s, every company dreamt of the vast potential of its market with its billion-plus population. Imagine, went the old sales pitch, selling one pencil to every student in China. Now extrapolate for detergent, TVs, cars, cellphones, and so on.

Another driver of eCommerce growth in China: rural consumers hungry for goods. China’s megacities teem with shopping centers and retail markets both real and virtual. Not so much in the countryside—until every smartphone became a mobile mall. Online retailers see the opportunity and are expanding in rural China, creating value.

**II.6 E-COMMERCE POLICY**

To further protect the rights and interests of consumers, improve product safety and protect state revenue, the Chinese government has introduced a number of policies on cross-border e-commerce imports since 2012, China’s government has 10 pilot cities for cross-border e-commerce, including Shanghai, Hangzhou, Ningbo, Zhengzhou, Chongqing, Guangzhou, Shenzhen, Tianjin, Fuzhou and Pingtan, where business is conducted as a "bonded import" or "direct purchase import". In order to further regulate this kind of business, the Chinese government announced its new tax policies for cross-border e-commerce and list of cross-border e-commerce retail imports in April 2016. This article examines these new policies and the changes and impact that they may bring.

Chinese government pay more supports to eCommerce industry. Such as the E-commerce Circular, together with List of Imported Commodities through Cross-Border E-commerce Retail (List) promulgated by the Ministry of Finance and
other 10 administrations or ministries of China on April 6, 2016 in Announcement No.40, reflects that the tax policies for Cross-border E-commerce Retail Imports (new tax policies) has basically established. Which Import duty: the new tax policies stipulate that the Imported Commodities within the limited value as set forth shall be subject to a duty rate of 0% temporarily. In other words, the import duty of Imported Commodities within the limited value shall be 0 while those beyond the limited value shall be levied based on the corresponding duty rate.

Import VAT: according to the new tax policies, the import VAT is temporarily levied at 70% of the statutory tax payable. Take the VAT rate of 17% for most imported commodities for example, from April 8, 2016, the Imported Commodities within the limited value would actually apply to an import VAT rate of 11.9% (=17%×70%). Import consumption tax: the major tax objects in cross-border e-commerce retail shall be liquor and some cosmetics and the new tax policies provides that the import consumption tax is also temporarily levied at 70% of the statutory tax payable. To be noticed, due to the different calculation formulae of ad valorem consumption tax and specific consumption tax, the new tax policy cannot be simply interpreted as 70% of import consumption tax rate.

Thus, the new tax policies have different influences on different types of commodities. For instance, within the value limit, the tax payable for commodities such as mother & baby products, food and health care products would increase, while the tax payable for commodities such as some expensive cosmetics would decrease.
CHAPTER III

ALIBABA GROUP COOPERATED WITH INDONESIA AND MALAYSIA

In detail, this chapter has explained about China’s E-Commerce model and performance, which chapter focus on ALibaba group cooperated with Indonesia and Malaysia. As an emerging industries, How both of countries focusing on e-commerce cooperation and industries development. and How are the current situation and the development trend of e-commerce. In supporting this research, author had reviewed several literatures and designed a questionnaire. Those of theories in this chapter is coming from books and journals.
III 3.1. THE DEFINITION OF ELECTRONIC COMMERCE

International Chamber of Commerce in November 1997, the World Electronic Commerce meeting in Paris, (The World Business Agenda for Electronic Commerce). At the meeting, experts and representatives of the concept of e-commerce was the most authoritative description: Electronic Commerce, its refers to the realization of each stage in the process of whole trade of the electronic trading activities. From the scope of coverage can be defined as: the parties to the transaction in electronic transactions rather than through traditional exchange or face to face any form of commercial transactions; from the technical aspects can be defined as: e-commerce is a collection of multi-technology, Including the exchange of data (such as electronic data interchange, e-mail), data (shared databases, electronic bulletin boards) and automatic capture data (bar code). E-commerce covers business including: information exchange, pre-sales and after-sales service (providing details of products and services, technical guidance for product use, answering customer comments), sales, electronic payments (using electronic funds transfer, credit card, e-check and e-cash), Transportation (including delivery management of goods and transportation tracking, and the actual delivery of products that can be electronically delivered), set up virtual enterprise (the formation of a physically non-existent enterprises, focus on small and medium companies, provided products and services), companies and trading partners can co-own and shared business methods.

In the book Frontier Information in electronic that American scholars have proposed “general speaking, e-commerce is a modern business method that improving the speed of service delivery, improving the quality of products and satisfy the government organization, reduce manufacturers and consumers
This concept is also used to find information through the computer network to support decision-making. Generally speaking, today's e-commerce through the computer network will link buyers and sellers, products and services. While the future of electronic through the myriad computer network link to buyers and sellers.

The electronic commerce have brought new challenges and opportunities to new economic model in development countries. The electronic commerce promotes the new economic formation of global business. Emerging electronic-commerce is superior to traditional marketing. Electronic-commerce allows enterprises to use the Internet to deal with day-to-day business, trading, that is between suppliers, customers, banks, distributors and other trading partners of the daily contact, reduced by production and sales costs, shorten the distance between manufacturers and end users.

According to International Journal of electronic commerce, scholar Vladimir Zwass had mentioned :

"Electronic commerce is through telecommunications networks to maintaining business active and conducting business transactions. Electronic commerce first appeared from the electronic transition of message in Berlin airlift in 1948. Step-by-Step, that electronic data interchange into a new stage of e-commerce developing. When the first cooperation utilized formats of e-commerce between industry groups produced by common electronic data formats in 1960s, and the early forms that only use for purchasing, finance data and transportation. So, electronic commerce data interchange is basis format of electronic commerce."
commerce is the use of telephone lines, computer networks to transmit information, goods and services. In short, e-commerce is mean “taking payment via digital channels”. E-commerce is the commercial application of business transactions and workflow automation. E-commerce enable to reduce enterprise management costs, improve product quality, speed up the delivery of tools. Through the procurement and sales of samples, reagents, equipment and other operations in Internet. Thus, the manufacturers and customers out of the fetters of traditional commercial intermediaries, which reduced the cost of selling product costs, thereby reducing the price. Changing the market structure; expanding customer base, to the sales chain has brought unlimited development opportunities and improve marketing efficiency.

Internet and electronic commerce constitutes a new marketing platform, which resulting in new marketing concepts. The marketing theory has also evolved from the traditional 4P theory (product, price, distribution, promotion) to the customer-centered 4C theory (customer, cost, convenience, communication). 43 Traditional marketing 4P theory that as long as the product around the products, price, distribution, sales promotion four elements, that will be a guarantee of product sales. E-commerce of 4C theory, including from the customer present different view, cost perspective, convenience, communication of view. The established a common interest based on the new enterprise customer relationship. From the convenience of view, that e-commerce provides largest purchase and use convenience to customers. About E-commerce, that has three methods to develop international trade:

43 by Muhammad Ali, Muhammad Ilyas, Chaudhary Abdul Rehman, No.5, January 2016, IMPACT OF CONSUMER CENTRIC MARKETING MIX ELEMENTS ON CONSUMER BUYING BEHAVIOR; AN EMPIRICAL INVESTIGATION IN CONTEXT OF FMCG INDUSTRY OF PAKISTAN, P26, Business School-Superior University press
A. An internet shop, the customers can though online shop to choose what they need or what they like, because online shop provides a wide range of products, and more easier to choice among different products.  

B. A producer on the internet, “producer” its meant manufacturer or “direct producer online”, which consumers can easily bought goods from Internet by direct producer online. and this method seems more popular by consumers, because they can save money from intermediate steps, such as: tedious retailers and agencies.

C. Trade with the help of an E-network, that is a new shopping model, which more manufacturers use e-network or online shopping receive orders, process orders and package. especially in China, the famous Leading enterprise, TaoBao, which is the online shopping platform under the Alibaba group. There is whole industry of electronic commerce.

III 3.2 E-COMMERCE AND ONLINE SHOPPING

Sometimes it's easy to confuse e-commerce and online shopping, thus, in here the author will explained about e-commerce & online-shopping. In our life we’re


also mentioned about E-commerce and online-shipping, and both of words were not easy to differentiate it, as are closely interconnected terms.

![Figure 1.9 Analysis about E-commerce and Online Shopping](image)

According to figure 1.9, this figure implied E-commerce is a broad label, which contained online-shopping. According to e-commerce theory that is application for all business activities and trade by information and communication technologies. So, that is more than online-shopping and also including many of business formats, that is like an industrial chain which included trading in products or services and other formats commerce activities.

### III 3.3 TRADITIONAL COMMERCE AND E-COMMERCE

In fact, electronic commerce is similar with tractional commerce, which the way of exchange of goods; however e-commerce is trading by Internet, technologies by email, electronic data interchange and electronic fund transfer are used to track transactions and receive payments.
As far back as 1911, which is first wave of evolution of business process management, the scholar by Frederick Taylor principle of management and investigated into manufacture task and time/motion studies. that is basis of studies of traditional commerce. which research was focus on how to maximize benefits, and promoted efficiency and minimized cost. Then, it into second phase, In the 1960s, technology skill drives traditional commerce become amplified the speed of change, and more of people growing use of computer in the 1970s and 1980s. which utilized quantitative statistical and related data to interpreted results, so that is the biggest progress toward electronic commerce.  

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The third wave began in the 1990s, which technology is shifting from being a process driver to a process enabler, and customer authentication changed from markets to individual with customized solutions. 

Traditional marketing is the basis of the development of e-commerce, whether traditional marketing or emerging e-commerce, the core is embraced the "marketing" word, its economic nature is the same, but the implementation of different ways and channels. Emerging e-commerce is an improvement and

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48 Sandra Lusk, Staci Paley, and Andrew Spanyi, June 2005, Evolution of BPM as a Professional Discipline, BPTrends, P3
innovation of the traditional marketing model, which is based on the traditional marketing of economic theory combined with modern high-tech development.

Figure 2.1 Traditional Path and E-Service Path

Electronic-commerce is an extension of traditional marketing concepts in the Internet era. Traditional marketing and business marketing activities by the geographical environment and transport restrictions. For instance: Such as pharmaceutical manufacturers only faithful close to customer, e-commerce companies under the global pharmaceutical companies, users can easily be attracted by competitors. Pharmaceutical manufacturers can use the Internet to communicate with patients with customers and collect information for the efficacy and consumer satisfaction survey in drugs market, to further completed medicines, reagents, medical device consumption tracking, security, protection of intellectual property rights. Traditional marketing consumer behaviors are passive.
commerce without geographical constraints and space constraints in the global market, such as medical research center can not buy a required materials in a city, through the Internet that they can buy the productions or materials

Table 2.4 Compare With Traditional Commerce and Electronic Commerce from other cities, network marketing to meet customer needs guiding ideology, the purchase of kits The biggest feature of the way is the dominant consumer, shopping will be mastered in the consumer.

III 3.4. DEVELOPMENT OF E-COMMERCE
Electronic commerce is not a concept, it can be said that was born in decades ago. However, in recent year, the emergence of the Internet bring new vitality to electronic-commerce. Electronic commerce based on Internet has attracted the attention all over the world.

E-commerce begins with network computing. Network computing is the basis of e-commerce, which no network computing, there is no e-commerce. Its development in a variety of forms, from the initial telephone, telegram to e-mail and subsequent EDI, all can be said that some form of e-commerce development.

The electronic commerce developing has its inevitability and possibility. Traditional commerce has focus on manual processing information, and through the words on paper to exchange information. However, as the amount of information processed and exchanged increases, the process becomes more and more complicated, which not only increases the amount of repetitive work and extra costs, but also increase the chance of errors, in this case requires a more convenient and advanced way to quickly exchange and deal with business transactions; the other hand, computer technology is widely used and the continuous improvement of the advanced communication technology. Led to emergence and development of the EDI and Internet. The global society has entered a new era of information automation, which makes the development of e-commerce possible.49

Until the 1990s, with the rapid development of Internet-based technology, these ideas gradually mature, Internet networks began to really applied to commercial transactions, when e-commerce is increasingly vigorous.

III 3.4.1. DEVELOPMENT E-COMMERCE IN ASEAN

49. Jiemou, 2016, E-commerce’s theory, chapter 1. Department of Information Science and Telecommunications University of Pittsburgh
With the world’s third largest population area, South Asia is an upcoming market of interest for e-commerce. Still in its infancy. The ASEAN e-commerce market presents many growth opportunity for business ready to face its challenges.

The number of Internet users in Southeast Asia, and particularly in the 6 largest ASEAN counties, which add up create untapped makes. Though the Singaporean e-commerce market is more mature, in Indonesia, Malaysia, Thailand, the Philippines and Vietnam, e-commerce is still at a very early stage and full of opportunities for retailers. Southeast Asia is currently a very attractive market for companies involved globally in the e-commerce sector and smaller local players. At a turning in term of Internet and mobile penetration, that Southeast Asia population is quickly adapting its behaviors to take advantage of new opportunities available in purchasing products and service online.50

Compare with traditional commerce, that e-commerce still a new emerging markets. According to statistics of internet penetration in Southeast Asia in 2016, which the internet peroration in the Singapore is ranked first in the Southeast Asia, it was 81.3 percent among the population. Malaysia was 34.1 percent among the population and Indonesia was 34.1 percent among the total population. 51 So, in some of Southeast Asia countries, consumers still face difficulties to face difficulties to reach e-commerce, because of Internet use comparatively low. In addition to this part of factor, payment channels, delivery of products for the incomplete retail of e-commerce platform is challenge.

Despite these difficulties, some of companies are forcing on and move sell online, such as Lazada is known as Southeast Asia's Amazon, also known as Southeast Asia's Jingdong Mall. The main sales category 3C. Lazada maintained good

50 “Online security a major concern among Malaysian shoppers, says PayPal survey,” The Star, 8 July 2014
51 Michael D. Swaine, 5. 24.2015, “Chinese Views and Commentary on the “One Belt, One Road” Initiative” in Jakarta Post
margins because of the small market environment. At present, Lazada is leader of B2C electric business website in Indonesia.

 Orientation : B2C
 Established: 2011.
 Headquarters: Singapore

 Orientation : B2C Platform
 Established: 2009
 Headquarters: Bangkok, Thailand
Ensogo positioning social e-commerce platform, the current monthly visitors around 162 million visitors, monthly views around 4.86 million. With a total investment of approximately US$ 41 million. The company operates in Hong Kong, Indonesia, Malaysia, the Philippines, Singapore and Thailand. Ensogo provides special products to more than 600 million users in Southeast Asia.

Orientation：B2C Platform
Established：2001
Headquarters：Jakarta Indonesia

Bhinneka, an Indonesian electricity provider, has been establish for 15 years and is known as a pioneer in Indonesia. At present, about 11.8 million unique visitors, monthly views of 59.4 million people. Pre-main business model is 3C, B2C platform for the gradual development of retail. Since 2004, Bhinneka established a large number of brand chain stores, and has its own service center to ensure after-sales service. Such as Apple, Microsoft, Kaspersky, IBM, Intel, HP and other in-
ternational brands of authorized dealers and partners, have the strong superior channel advantages.

Figure 2.2 Source: eMarketer .AT. Kearney analysis

The following data provides age distribution to the most interesting trends in e-commerce in Southeast Asia.
According to this form, which most young people (15-24) accounted the highest percentages, that age of 25-34 was the second group of consumer. Moreover, that mid-aged consumer sector accounts for only a small proportion.

In the past four years, ASEAN online retail has the potential to grow even faster up to 25 percent per year. At the regional level, the benefits of retail e-commerce development go beyond direct economic impact. It can be a vehicle for economic development, social cohesion, and cultural exchanges that contribute to regional integration. E-commerce can also propel ASEAN globally. Economic partners are already asking for a strong regional response to online retail matters. For example, the Chinese Cyberspace Administration director recently said that China would "like to share information with the ASEAN partners, including finance, customs data, disaster prevention, and evaluation."\textsuperscript{53}

However, the approach needs to be coordinated. While the ASEAN region has already launched many ambitious initiatives in many areas directly impacting e-commerce, efforts are needed to continue the harmonization progress that has been made in recent years. Efforts around digitization, developing online offerings, data security, payment, logistics, and trade should be coordinated to ensure that regional retail e-commerce develops as fast as expected and fully benefits all regional stakeholders. However, Southeast Asia faces a host of challenges in its journey to becoming a flourishing e-commerce marketplace. For one thing, the region encompasses a broad range of ethnicities, languages, consumer preferences and regulations. For example, Indonesian law doesn’t allow foreign direct

\textsuperscript{52} Chen Long 7.2016, \textit{Digital age can be a boon to inclusive finance}, the Journal data from GLOBA TIMES, B6. Wednesday September

\textsuperscript{53} "Country calls for creation of Asian Net hub," \textit{China Daily}, 19 September 2014
investment in local retail e-commerce companies. Also, South-east Asia lacks a solid regional payment and logistics infrastructure, ingredients that have served as the foundation for China’s astounding growth in digital retail. In addition, surveyed consumers in the region say they don’t yet fully trust e-commerce platforms, are concerned about the lack of touch- and-feel inherent in digital commerce and report having trouble finding the products they want. These types of complaints about early-stage e-commerce markets are typical.

Yet given the sizable and digitally sophisticated population, the broad acceptance of e-commerce is inevitable in this region. For brands, retailers, technology companies or financial services players eager to establish a foothold and grow along with digital re-tailing here, succeeding will mean clearly understanding Southeast Asia’s online consumers and their rapidly shifting behavior and using that as the starting point for setting a digital vision. They must then translate that vision into a cohesive operating strategy and build a solid infrastructure and enablers to win. Southeast Asia’s digital consumers also eagerly embrace video to learn about products, particularly those that attract online engagement (such as food recipes and cosmetics instructions). The author will give an interview sample form a successful businessman in Indonesia, Dani Laksono, he established a companies“ Uang Lama” in 2010 in Yogyakarta, on the early stage side, he was through Facebook (Internet) transaction processing :
I started selling banknotes around 2010, when most people in Indonesia connected to Facebook. There was a growing number of Facebook groups and users also created about banknotes.

There were groups to sell banknotes, focused on coins, or only for auctions. At that time, I bought banknotes from friends in Jogja to sell on FB. However, I only joined auction on FB to sell to friends in Jogja.

The number of groups and users selling banknotes were growing rapidly around 2012. This euphoria did not make my business better because more people selling the same item. I was thinking about new alternatives to sell my banknotes. My focus is still about online shop because I believe this kind of business is still promising, at least for the next 5 years or so.

In 2014, I met Tokopedia. Actually before that I found Bukalapak but I didn’t see it as a good chance; lack of appearance and complex method.

When I saw Tokopedia, I saw it very promising; it provides a simple user interface, good security system, quick response to help new users, and simpler than Bukalapak.
After his interview that implied E-commerce impact on business way and it helped small and medium enterprise program.

### III 3.5. ALIBABA GROUP COOPERATE WITH INDONESIA

President of China Xi jinping agreed to the convenience for Indonesia to export tropical fruits to China that the main agenda of these two leaders of country is to narrow down the gap deficit of export -import between two countries. One of agreement is xi jinping promised to provide easiness for tropical fruits export, Af- ter G20 summit, President Jokowi also visited the headquarter of largest e-com-merce business of Chia Alibaba in district Yu Hang, Hongzhou city. Indeed, its’s not the first time that Indonesia engages in partnership with Alibaba group. The ex trade minister of Indonesia, Thomas Lembong has started the marketing of In- donesian products through tabao mall owned by Alibaba group. Rudiantara added that intonesian product category of fast moving consumer goods like kappa api coffee and indome noodle already marked by alibaba, in the future, Indonesia con- tinues increase the export through work partnership alibaba group.

ALibaba Group seeking cooperated with Indonesia that management launched guidelines to seven key issues: logistics, financing for startups, consumer protection, communications infrastructure, e-commerce business tax, the education sector and cyber security.

It will focus on small and medium enterprises (SMEs). Ma and Jokowi both came from an SME background. The former started Alibaba as a startup and the latter was a furniture producer and exporter in Surakarta, Central Java. They are both passionate about boosting the contribution of that segment to the overall economy. Both want to foster SMEs and give them a place on the internet
to increase their consumer base and efficiency, as well as innovate in growing their businesses to better serve consumers.

SMEs in Indonesia account for around 60 percent of gross domestic product and nearly 100 percent of business units and the workforce. However, less than 5 percent of the millions of businesses have access to online trade, something that many local e-commerce marketplaces and technology operators are keen to improve.

And Next is investment. Apart from great ideas and a boon to SMEs, a great deal of investment by his empire may come into Southeast Asia’s largest economy, as he now has the ability to influence policy making and development design of the multi-billion dollar e-commerce industry. This is where the risks of conflict of interests can arise from his appointment. A vast market of a 250 million population, Indonesia’s e-commerce transactions are to triple to US$24.6 billion this year from 2013 and Ma is expanding his presence in and partnerships with Southeast Asia

**III 3.6. ALIBABA GROUP COOPERATE WITH MALAYSIA**

Even with the growth of e-commerce in the region with entries of players like the Lazada Group and even Amazon in Singapore by next year, retail penetration still stands at 3 percent or around US$6 billion in sales. That is quite a meager figure compared to China’s e-commerce market is projected to grow to US$1.1 trillion by 2020. Alibaba Group could help connect Malaysian businesses with the Chinese market. With links to China, Malaysian tech ventures could shift their sights on more regional targets than attempting to compete in the global market using broad efforts.

Pos Malaysia, which started work in the early 1800s delivering mail by bicycle, is the top performer this year among 14 global courier stocks with a market value
of at least $500 million, recording a total return of 49 percent, beating United Parcel Service Inc. and FedEx Corp. And Alibaba Group hope looking for more cooperation which has been achieved so far. And After offer from President Jokowi that Malaysia may offer Jack Ma an advisory role to help the country develop its digital economy, as Mohd Irwan Serigar Abdullah said:

“We will discuss with him about bringing his ideas, and there’s also talk about appointing him to the digital councils in Malaysia.”

And in the 2014, Malaysian tourism merchants can soon market their products and services directly to Chinese travellers through an e-marketplace in China. This is made possible by a strategic collaboration between Tourism Malaysia and Chinese e-commerce giant Alibaba Group to create the Malaysia Tourism Pavilion (MTP) on Alitrip. And the contract has been signed between Tourism Malaysia and Alibaba Group to promote the one-stop e-commerce and online marketing platform together, which enables Chinese tourists to access Malaysia’s travel and tourism products and services.

The platform will be managed and operated by Beijing Xinlian Mobile Technology, appointed by Alibaba and endorsed by Tourism Malaysia, under the guidelines set by the two parties. It was graced by Tourism Malaysia Deputy Director General (Strategic & Domestic) Chong Yoke Har, Alitrip Vice President Tony Duan, and Beijing Xinlian Mobile Technology CEO Julius See. The seminar attracted about 120 industry players comprising travel agents, product owners, theme park operators, airlines, and niche product associations.

Tourism industry can benefit greatly from the e-commerce platform to boost sales. The hotel industry, for instance, has been utilising this platform for years. In fact, the management of e-commerce and online channels is one of the main tools for promoting and improving sales in the current hotel businesses, and China has
always been an important market for Malaysia and the country will continue to strive to get a bigger slice of the Chinese outbound market. Last year, tourist arrivals from China to Malaysia increased by 4%, reaching 1.68 million compared to 1.61 million in 2014.

**CHAPTER IV**

**ALIBABA GROUP EXPANSION TO INDONESIA AND MALAYSIA**

In this chapter will describe about dimension of the electronic commerce, and how to implementation this new economic model in both of countries, Indonesia and Malaysia, and How does Alibaba Group faces the charges and problems in Indonesia and Malaysia in the further. In this chapter i’m going to made substantial examples with Indonesia and Malaysia.

**IV. 4.1. ALIBABA GROUP**
Alibaba Group Holding Limited, the China’s largest Internet companies and the world’s second largest Internet company. The Alibaba group was launched in the 1999 by 18 people. the leadership for the Group establishment was by Jack Ma. from the Hangzhou Province. Alibaba Group core mission that has been to boring renovation in the online and mobile commerce in the Chinese market. Alibaba is a global business (B2B) e-commerce is a famous brand, is the world's largest online trading market and business communication community. The Alibaba group headquartered in Hangzhou, and set up the overseas subsidiaries in Silicon Valley of The United State, London and other branches. It is the world's largest online trading market. it has good brand visualization, stable structure and excellent service to Alibaba has become the one of world's first owned 2.1 million businessmen with e-commerce site, it was by businessmen named "the most popular B2B website." In September 2013, Alibaba Group sought an Initial Public Offerings in the United State, that pricing of initial Public Offerings raised US$ 21.8 billion, and increased to US$25 billion, as the largest initial Public offerings in history.

The China domestic e-commerce was boom in the mid of 2000s. In this time, which a large amount of small and medium size local companies was thriving after policy of reform and opening in China, so, small and medium size local companies were facing stiff competition with large enterprise. while they are choose online retailers who simply avoided the large - scale enterprise competition. It was in this context that Alibaba group was formed, which was rising the offline retailers logistics system demand.

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Actually, Alibaba Group has been set up a lot of trading platform, such as Alibaba.com, JuHuaSuan, TaoBao, and TianMao, Aliexpress, etc. Excepts above of e-commerce platform, While Alibaba Group set up an integrated system and secure environment assists those of trading platform and to successful trading, such as Alipay and third party logistics. In 2003s, the third party logistics providers enter to Chinese e-commerce market was established with Alipay, Cai Niao logistics and E-commerce platform.

Alibaba Group, that provides consumer to consumer, business-to-Consumer and business-to-business sales services via web portals for small businesses, the company is provides business management Software, Internet infrastructure
service and export-related service and educational service to company management and electronic commerce professionals. In additional, it also including shopping search engine, electronic payment channel and data-centric cloud computing services. Alibaba has signed with more than 70 regionals: China, Korea, Japan, Australia, the U.S, the U.K, India, and Malaysia, etc.

Alibaba provisions based on multiple requirements for the companies. The Alibaba provides Index of market and product evaluation for small enterprises. it also helps Chinese manufacturers and foreign exports to evaluated their business environment and assess these roles according to the goals of the phases for feasibility, analysis, development, and transition.

IV. 4.1.2. Alibaba.com

Alibaba.com was one of the online-shopping platform that under Alibaba Group, which increasing global and local trade. This logistics software basically provides platform to global and local buyers and suppliers. And small and medium size of enterprises suppliers could directly to contacted with consumers


though Alibaba platform. The raw materials and product suppliers mainly from China, India, United States.

IV. 4.1.3 Tao Bao

Tao Bao was one of the online-shopping platform that under Alibaba Group, and this online-platform is popular in China, since its inception in 2003, Tao Bao has been one of the highest valued and the most popular online shopping platform for business service. Alibaba Group provides both of services that business to business and business to customers platform. Tao Bao is a Virtual trading communication platform that consumes interact with the Internet to orders what they want, this is B2C service. For customers, they can shop and make choice from a wide range of brands and enterprise, and able to compare across different products and quality of products from different countries and international retailers by Tao Bao. In additional, Tao Bao have been updated equipment, which provides mobile service adding to the convenience even more.

Figure: Taobao, Webpage,
IV. 4.1.4. Aliexpress

That is a global consumer marketplace, and consumers be able to interact directly with international brands and productions. International consumer usually requires logistics has initial investments and regulations awareness. So, Alibaba Group co-operated with international logistics and partnerships, it becomes economical for the business. Aliexpress is one of global retail marketplace service platform. and most of consumes from Russia, the United States.

IV. 4.2. SWOT ANALYSIS ALIBABA GROUP

The SWOT analysis is a comprehensive strategic analysis tool. Through collected a lot of materials and reading, the author is going to with method of SWOT to further analysis Alibaba Group’s operate situation, strengths, weakness, opportunities and threats.

IV. 4.2.1 Strengths

The strengths of Alibaba Group is provides comprehensive platforms and service, whether additional service or trading platform. It compared to other competitors that Alibaba group more better than other local competitors. Because
most of local competitors in China are focused only on local service provisions rather than production quality and brand positioning.

Alibaba Group accumulated a lot of experience in B2B, and set up successful third party logistics series and secure environment. This means that the companies was able to gaining more attention. Good brand image. which Alibaba Group has over 40 million customers with 5 million virtual storefronts. Alibaba provides a large number of brand of merchandise. a good intrinsic value that has improve values of the minds of the investors.

IV. 4.2.2 Weaknesses

Web site model of Alibaba Group is intermediary forms, and it is easy to imitate. its provides a successfully sample or model to their competitors. Alibaba added Customer membership, which in process of transition that will loss a lot of customers. Alibaba provides a platform to customs. but the company does not provide enough merchandise information to customs. Thus, companies should pay more attention and resource into creating a business platform or merchandise analysis platform.

IV. 4.2.3. Opportunities

Globalization and Geopolitics has been a boon for Alibaba, and now, Alibaba have been to a level of Global companies. Many countries are investing more and more rely on online transactions. such as the level of Alibaba that able to attractive more investing companies to trading. According to Alibaba CSR report in 2016

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that they will focus more in the Russia, India, Brazil, Vietnam and Southeast Asian countries. Because in these of countries Online shopping still a new industries and livelihood and the buying power has increased dramatically.

Chinese government view the Alibaba Group as “the most successful enterprise.” while, the government of China has been provides lot of regimes and benefits in order for Alibaba easier business in the future.

In addition to the online shopping platform, at present, Alibaba also invested in other areas, for example, science and technology (cloud technology, the data), film and media investment and other industries area.

### IV. 4.2.4. Threats

Globalization os actually a double -edged sword for Alibaba, because globalization gives great opportunity and at same time also exits great threat to itself. So, for Alibaba that the biggest threats are effective B2B model and enabled its improvements and development. If they not realized and change their business model that they will be phased out by the competition.

Although Alibaba had founded the own logistics, while still a lot of business provider utilized third logistics, so, company should make change internally and improve their logistics aspects.

Alibaba becoming a global brand that they have to enhance individual social, social responsibility responsibility and political ideologies for each of country.

### I.V. 5.1 Cases and Challenges

Along with Alibaba Group allowed the business model to expand into Southeast Asia, which became have much more attractive business partner for local companies. Logistics of Alibaba its belongs to Cainiao Smart Logistics Network
Ltd. while, Malaysia POS logistics companies want to seeking for cooperation directly that cut off middlemen to improve the customer experience and transport efficiency.  

Moreover, Alibaba Group established long-term cooperative relationship with Indonesia, through Tianmao platform, tens of thousands of Chinese consumers purchase Indonesia products, without by importers or distributors. Indonesia will maintain long-term cooperation with China, and also seeking for electronic enterprise cooperation with other countries. Alibaba platform have been further expand the sales scope of Indonesia products. As Indonesia, that based on product features and ensured quality to raise the production. At present, Indonesia products are mainly seas on Alibaba online platform have bird’s nest, Indonesia coffee, cassava and prawn crackers, etc.

In additional, Alibaba Group still have to faces massive of challenges in the future:

1) Lake cross-border platform

Because of Malaysia, Vietnam, Thailand, which majority of the domestic electric-market is occupied by foreign companies, due to lack technology, experience and international e-commerce platform for fierce competition, Malaysia, Vietnam, Thailand, those of domestic electric-markets has not yet established its own cross-platform. Alibaba has had a greater influence overseas, China, Vietnam, Malaysia, Thailand countries to carry out cross-border cooperation, which established the localized e-commerce platform.

2) Southeast Asian language communication obstacles

Southeast Asia is a multi-lingual region, as many as 10 more languages, and communication is the foundation of China’s e-enterprises to expand the international market. It can learn from Europe and the United States’s mode in

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Southeast Asia, the main markets to set up e-commerce platform of the multi-language in Southeast Asian countries, set up brand distributors in various countries, online and offline integration.

3) Lack third-party payment system in Southeast Asia

Cross-border payment system is essential for the e-commerce channel. However, Malaysia, Vietnam, Thailand, online payment level that lack of third-party payment system. Malaysia pay- system are more mature, but online payment is not the mainstream in Thailand. In addition, online payment is lowest in Vietnam. Because it mainly depends on consumption habits.

4) Logistics development is incomplete

E-commerce development requires a high level of logistics support, the logistics development in Southeast Asia is imperfect, restricting the development of e-commerce in this region.

Even though Alibaba its a biggest e-commerce partner and bring many profits to them. However, Alibaba have to deals with many challenges and problems. Such as: 1. culture diversity, 2. increase in consumer demand 3, impulse on local transitional commerce. 4. Increase the relative industries competitiveness. Thus, Alibaba Group have to continuously improve their platform and enterprise culture. And continuous improvement their globalization business strategy.
E-commerce has two-way information communication, its more flexible to trading and fast delivery characteristics. It brings huge economic benefits to society and promotes the productivity of the whole society, return to research question in chapter 1 that how to developing China with ASEAN countries economic cooperation and trade via e-commerce: firstly, in the background, ASEAN is the core area for “one road one belt” strategy, and often hailed as the new frontier for e-commerce. With unique geographical advantages, it promotes exchanges and cooperation with Southeast Asian countries and builds important transportation hubs, trade logistics and cultural science and education centers. Bilateral trade balance the international economy and that is the key factor for accelerating mutual development. Alibaba's business covers important areas such as B2B, B2C and C2C, and has become the most important platform for domestic and foreign merchandise blending. Southeast Asia and China established the China - ASEAN Free Trade Area, and “one road one belt" strategy in the crossroads of maritime Silk Road. Both sides have a friendly political and economic foundation for the China’s e-commerce providers to established a good political environment in Southeast Asia. Southeast Asia e-commerce is unique e-commerce market, there are a lot of market gaps, with great market potential. Thus, through cooperated with Alibaba Group that will bring the best of technology and know-how to the region and building an even bigger and better business. Secondly, e-commerce to promote a wide range of time and space constraints, changing the trade patterns, greatly accelerating the circulation of goods throughout the community, help to
reduce the enterprise costs and improve the competitiveness of enterprises, in especially, small and medium enterprises can directly enter the international market to participate in international markets competition. And last, keep good neighbor relations and extensive cooperation, with e-commerce platforms spread across six ASEAN nations–Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. Alibaba Group made communication with the Indonesia government is already under way to see and help advance the development of e-commerce to empower SMEs in Indonesia. Indonesia, the world’s forth most populous country, is following the lead of neighboring Southeast Asian countries such as Malaysia, which in 1997 founded the International Advisory Panel to advise the country on how to build an information technology industry.

Concerning the data of e-commerce circumstances in Indonesia and Malaysia, through analysis and investigation, which are steady and rapid economic development trends in ASEAN countries, E-commerce as a new economic model that provides consumers with more choices, provides a better convenience. It is an information revolution in the field of business, it will have a fundamental impact on our way of thinking, the economic activities of mankind, the work of mankind and lifestyles. For Instance, Lazada is a leader e-commerce enterprise in Indonesia, and almost user distributed in Indonesia, Malaysia and Singapore, user’s ages around 15–34. Thus, that is a potential industries in ASEAN countries. Nevertheless, transactions on mobile are even smaller. Despite a strong mobile-first (and in some cases, mobile only) population, Southeast Asia’s mobile commerce landscape is still challenged by access to high-speed wireless broadband internet and affordable smartphones, especially for non-urbanized regions. Thus, as a results for ASEAN countries, in especially for Indonesia and Malaysia have to strengthening Internet and transport infrastructures, set up e-payment regulation, and provides people convenience.
Alibaba group expanded to ASEAN Countries, especially in Indonesia and Malaysia’s. Along with Alibaba Group allowed the business model to expand into Southeast Asia, which became have much more attractive business partner for local companies. Logistics of Alibaba its belongs to Cainiao Smart Logistics Network Ltd. while, Malaysia POS logistics companies want to seeking for cooperation directly that cut off middlemen to n improve the customer experience and transport efficiency. Moreover, Alibaba Group established long-term cooperative relationship with Indonesia, through Tianmao platform. However, Alibaba Group still have to faces massive of challenges in both of countries: such as lack third-party payment system in ASEAN countries, Logistics development is incomplete and so forth. Thus, Alibaba Group and ASEAN countries have to concerted efforts to fix the problems have.
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