

CHAPTER I

INTRODUCTION

1.1 Background of Study and Motivation

The existence of technology and the internet brought many aspects into their development. Human activities can be done easily by the support of technology and the internet. Economy, as one of the important aspects, is affected by the internet and technology. Not only conventionally, transactions across the boundaries through the internet are possible, namely ecommerce. According to Turban (2012), ecommerce includes transactions buying, selling, transferring, or exchanging products, services or information through computer networks, including the internet. Ecommerce is developing rapidly worldwide as the significant portion of global trade is conducted via e-commerce (Liu, Osewe, Shi, Zhen, & Wu, 2021) and the number of it became bigger during the Industrial Revolution 4.0.

ASEAN and China are also contributing to the huge number of worldwide e-commerce transactions. The study by Google and Temasek, E-Conomy SEA 2018, resulted in an estimation of the Southeast Asian internet economy having reached \$72 billion in gross merchandise value (GMV) in 2018 across online travel, e-Commerce, online media, and ride hailing. Moreover, the study found that the number potentially exceeds \$240 billion by 2025. In China, its GMV reached 31,63 trillion yuan in 2018. The huge number of China's GMV is not apart from the fact that China owns 782 million online consumers and in its largest e-commerce platform, Alibaba's Taobao, has 4.5 million active sellers at the end of 2020. China's e-commerce sector has seen increased development and uses Internet technology as technical support to enable contact between the trading parties through social software (Liu, Osewe, Shi, Zhen & Wu, 2021). The enlargement of e-commerce also supported by the COVID-19 pandemic that restricted people to do activities outside their house, therefore online activities are the appropriate choice to do including online shopping through e-commerce.

Both China and ASEAN, before their cross border e-commerce development, already built a strong connection in their economies. These conditions are supported by the China-ASEAN Free Trade Area signing in 2004. According to the Indonesia Ministry of Trade, China-ASEAN Free Trade Area (ACFTA) is an agreement between ASEAN member countries and China to create a free trade area by eliminating or reducing barriers to trade in goods, both tariffs and non-tariffs, increasing market access for services, investment

regulations and provisions, as well as increasing aspects of cooperation to encourage the economic relations of the ACFTA Parties in order to improve the welfare of the people of ASEAN and China. The substantial bond of China and ASEAN is strengthening, as the The Regional Comprehensive Economic Partnership (RCEP) Agreement enters into force. The objective of the RCEP Agreement is to establish a modern, comprehensive, high-quality, and mutually beneficial economic partnership that will facilitate the expansion of regional trade and investment and contribute to global economic growth and development. The RCEP Agreement is not only strengthening the ASEAN and China economic cooperation, but also supports the modernization of the economy, including electronic commerce, as one of its key features. In Chapter 12 of RCEP Agreement, ecommerce becomes the center of discussion with the aim to promote e-commerce among the RCEP's Parties and the wider use of e-commerce globally and enhance cooperation among the Parties.

The discussion about ecommerce in RCEP Agreement shows the concern of RCEP Parties government about the rapid development of e-commerce activities in China and ASEAN as it's promising for countries' economic growth but during its enlargement, China and ASEAN e-commerce has to face some obstacles, such as users' loyalty, data protection, strict competition, and rapid technology change and development. Language barrier, transportation and logistics risk, culture difference, and payment risk couldn't be separated from the development of cross border e-commerce. These challenges and conditions of China and ASEAN cross border e-commerce brought the author to conduct the study aimed to identify the current conditions of cross border e-commerce in China and ASEAN, China and ASEAN's challenges and supporting factors during the development of cross-border e-commerce, with the expectation of usefulness to future studies, practitioners, businessmen, shareholders, governments, and policymakers to acquire a clear understanding of nowadays cross-border e-commerce development and its issue in China and ASEAN to support cross border e-commerce growth.

1.2 Research Questions

Based on the circumstances, the author summarized questions to be studied in this research:

1. How is the current condition and development of cross-border e-commerce in China and ASEAN?
2. What supporting factor and how much it affects the development of cross-border e-commerce in China and ASEAN?

3. What are China and ASEAN's problems, challenges, and obstacles during the development of cross-border e-commerce?
4. What are the potential strategies and further development of cross-border e-commerce between China and ASEAN?

1.3 Restricting the Problem

During the study, the author limited the problems as the primary focus of this research, specifically:

1. The usage of data is limited by the year from 2010-2021
2. The usage of capable sources, such as journals and articles, is limited by the year of publication from 2010-2021
3. The supporting factors of the development of cross-border e-commerce in China and ASEAN are limited to the logistics, internet access, and electronic money
4. The agreements that support the development of cross-border e-commerce in China and ASEAN are limited to ASEAN E-commerce Agreement and Regional Comprehensive Economic Partnership
5. The obstacles of the development of cross-border e-commerce in China and ASEAN are limited to extra cost and taxes, currency, uneven development of logistics and infrastructure, language barriers, and halal certification.

1.4 Research Purpose

The purpose of this study are as follows:

1. Analyze the cross-border e-commerce current condition and development in China and ASEAN
2. Analyze the supporting factors in the the cross-border e-commerce development in China and ASEAN
3. Analyze China and ASEAN's obstacles during the development of cross-border e-commerce
4. Analyze the potential strategies and further development of cross-border e-commerce between China and ASEAN

1.5 Benefits of Research

The research provides information that will be useful for businessmen, shareholders, small and medium enterprises to make decisions and participate in the growth of China and

ASEAN cross-border e-commerce. This study also can be the reference for future studies of related topics.

