

CHAPTER I INTRODUCTION

A. Background

According to Cambridge dictionary, startup means a new business, or the activities involved in starting a new business. It also refers as the act or process of starting or making something start.

A start-up is human institution designed to deliver a new product of service under condition of extreme uncertainty. Startups are designed for situations that cannot be modeled, are not clear-cut, and where the risk is not necessarily large-it's just not yet known" (Ries, 2011). The point is that a start-up is a company designed to grow quickly. The only thing that is essential is growth. All the other things we associate with beginners following growth.

Start-Up is also taken from English which means the action or process of starting a new organization. Whereas business start-up based on Google is 'an entrepreneurial business or innovative business in the form of a company. In short, start-up is a startup business. This term became known after the internet era. The factor is because many companies starting from zero by one or several people then become big.

E-commerce is a business method that the seller and buyer do a transaction in online. By the internet the seller has a market to sell their product in a massive area without a physical thing (supermarket etc.). The trading in this method gives a new business and buyer actors more comfortable to know and order something from anywhere. The trend of marketplaces e-commerce startup In Asia rapidly rise. The reason according to Chaffey is, *“Electronic commerce (e-commerce) is often thought merely to refer to buying and selling using the Internet; people immediately think of consumer retail purchases from companies such as Amazon. However, e-commerce involves much more than electronically mediated financial transactions between organisations and customers.* (Chaffey, 2009). The definition from Chaffey explains that electronic commerce often identified as a buying and selling by using the internet, but e-commerce is all of the transaction which used all electronically mediated transactions.

In Asia, Alibaba is the biggest e-commerce in China that based on Hangzhou. Alibaba creates in 1999 by Jack Ma. Alibaba makes available the trading service on the internet by using method costumer to costumer, business to the customer, and business to business (Natawijaya, 2016). The other side Jack Ma believes that with more time and innovation build the startup, and he can take the Asian internet market. The ways of Jack Ma to get the market is more innovation than the others. He uses the startup without a limits goods, area, and payment. The product just not from China, the others foreigner society also can do trading with sell and buy the product from Alibaba startup. (Oktavianus, 2018)

However, the other side Jack Ma also become a monopoly e-market actors that threatening by small enterprise in Asia, because with his e-commerce Alibaba was take over all of market and e-market in China, and the Investment in Research and Development is below the fastest growing players in the industry. Even though Alibaba is spending

above the industry average on Research and Development, it has not been able to compete with the leading players in the industry regarding innovation. It has come across as a mature firm looking forward to bring out products based on tested features in the market. Compared with Amazon, Alibaba e-commerce far down in advance of technology and innovation to carry on a big startup. The newest step of Amazon is, the also concern to the physical store, Amazon wants to have many physical stores also in between they e-market. Amazon believes that those stores will give an opportunity to distribute products in small local scope area and faster than in online ways. (Pramisti, 2017)

Also, the issues of monopoly that related to Jack Ma is about the overflow of China's product in Indonesia. There are so many products that made by China was circulated in Indonesians market. Compare to Europe product, China's is way cheaper. Even though it has low quality and Indonesian society complaining about the product and why it still exists on Indonesian e-market. There is a prediction, in the next few years, Indonesia will become a consumer country of Chinese products at lower prices than local products. It is feared that foreign investors will divert investments and funds from Indonesia to China. As a result, there is massive unemployment of local workers/labourers.

When we talk about the developing market in Indonesia is it also related to China. The bilateral between Indonesia and China is the most important relationship for rising Indonesian economy. Meanwhile when under Soeharto era, in new Order the bilateral is a freeze, but after a new order, the bilateral start getting better. In geopolitically, of course, the Indonesia position very strategic. The Indonesia location is at Asia Pacific continent. Also, the opportunity economic of Indonesia have natural resources when attract the industrial country even it is China. Indirectly with the 243 population of Indonesian people, Indonesia deserves the market for the foreign country that has a big industry product (Wati, 2013).

Besides that, China previously is developing country when the government still using the nearby market and yet opened for another country. And last time China becomes a big industrial country and become a developed country especially in a startup. The big startup in China manages by Jack Ma. It was starting when China rapidly growth up until the economy and the Chinas market until in the same classify of some of Europe market and e-market on the internet (Noviandari, 2014).

However, different from Indonesia, in 2009 the startup is just nothing for local investor and Indonesian government even it is based on marketplace they did not get the market on society. There are actors from Indonesia also that capable in e-commerce, but they did not support the local e-commerce. From bottom to "UNICORN" level, is the newest news that they got now. The startup that has a significant role and impact in the last four years is Traveloka, Go-Jek, and Tokopedia. Startups itself develop into many kinds which is system application developing, payment system, service, trading, and etcetera. And startup is a new develop corporate or in the open up. However, a startup in a technical term is not in the entire commercial sector. The terms of a startup more specifically categorize as an Electronic Commerce or were exist as e-commerce on the internet.

In Indonesia, the developing of startup make a business of marketplace startup become the nowadays market which provides a large market, simplify import and export goods trading. The existence of startup marketplace in this era seems like a mall that provides many trusted store for full fill the human need. From becoming a distributor of some product which is electronics, cloth, and the food they sell to local society until a foreign country.

The impact of developing economic e-commerce caused by some marketplace the track record firstly noted by "bursa efek Jakarta" at the time. And after these, many actors use startup on internet user that use the trading in corporate

and also personal. They use the public forum to make a deal in e-market and is it the beginning of marketplace startup that managing by actors with structurally. When the trading activity does in digital, so the payment process also use it too (News, 2017). So from these, the innovation and adaptation more develop. The opportunity that creates by e-commerce attracts the foreigner actors to invest. In 2010 marketplace "Bukalapak" start the operation. In 2011, Rakuten which is the foreigner startup came to Indonesia to expand their marketplace. And in the same years, tiket.com also starts the operation. Also, in this last year, Zalora Group establishes the Zalora Indonesia as part of e-commerce business international.

Much of investment firstly just opened for local Indonesian investor. After the growth of startup Indonesia, the foreigner investor also interest to give an investment to build the startup. One of the biggest countries that enter the investment of local startup Indonesia is China. China becomes a country that has a significant capital in invest in Indonesia, getting loose from electronic China has been a long time have a bilateral with Indonesia. Start from raw material and also the finished goods. (Firman, 2017)

In the last year, local governments see the opportunity and effect of e-commerce trading and starting to arrange a regulation about marketplace e-commerce. And these phenomena also have the same ways with the developing of e-commerce sectors and behaviour of *netizen* on the internet.

Tokopedia is the example of the startup that gets unicorn name. Many investors see the increase of startup marketplace. From the beginning of the marketplace, one of startup marketplace founder believes that Indonesia also has a significant change like China, and is it proved by the developing of the startup. And the relation of local startup marketplace with China is from the Jack Ma as an investor. (Uzzaman, 2016).

Additionally JD.com also come to Indonesia and make a new startup. JD.com base on Tiongkok China, and their focus on e-commerce startup. This startup engaged in the sale of electronics products and general merchandise products, including audio, video products and books. It also offers online sales of home appliances, digital communications, computers, home merchandise, apparel, baby book, food, and others (Forbes, 2018)

On the other hand Amazon also a good startup for Indonesian administration to handle the Indonesian e-commerce startup. However, Jokowi as Indonesian president directly prefer to choose Jack Ma to be an advisor of Indonesian startup than Jeff Bezos as a founder of Amazon, even though Jack Ma has issued as monopoly actors of e-market. From this phenomena, the Indonesian government more seeing the startup actors as a new trend of economic political bilateral. Although the Amazon more innovated from Alibaba.

B. Research Question

It refers to the background elaborated previously, the question raised by the researcher is: **Why did Joko Widodo Administration choose Jack Ma to develop Indonesian startup?**

C. Purpose of Research

The main purpose in conducting this undergraduate thesis paper is to explain and analyse the reason of Jack Ma to being influenced toward the developing of Indonesian startup as fast on the era marketplace and, how the political economy was working on these.

Finally, this paper is written to implement the knowledge from studying in the Department of International

Relations and becomes the requirement to attain the bachelor degree from International Relations department, Faculty of Social and Political Science, Universitas Muhammadiyah Yogyakarta.

D. Theoretical Framework

In this undergraduate thesis, the researcher will provide analysis Jack Ma and also Indonesian government toward startup internet market as a develop marketplace startup of Indonesia with economic politics trend. The writer will used two theories, they are:

1. Perspective Theory

The first theory that will be used is the theory of perspective. The researcher will be identified with the Perspective theory by Katherine Miller. In accordance to her book titled "*Communication Theories: Perspectives, Processes, and Contexts*", perspective as a method forsee or observe some of phenomena/condition/situation around us and not only just seeing on such perspective, but perspective also have multi-perspective and categorize into experience, understanding, the way of think, background, knowledge, power (Miller, 2005).

The perspective and multi-perspective usually have the same thing of value, it is aimed at the beneficial of something, but a different point of view of perspective is it makes different appointments in bad or good thoughts. The experience of Jack Ma in this startup phenomena think that Indonesian startup has a chance to develop the startup but they more laborious to make it, because the developer did not know how to get the supporting actors and factors. The actors from Indonesia did not see the opportunity that deserves the future of startup. However, according to Joko Widodo perspective, in Jack Ma's hand, Indonesian startup has a big chance in market and flow of the market.

The multi-perspective of Jokowi, Jack Ma on his experience about the startup is no doubt and unarguable. Jack Ma understanding of his consequences of involved and become influencing actor to Indonesian startup because the background of Jack Ma to handle a startup is excellent. For example, Jack Ma was successful to acquisition the Lazada e-commerce which is the Singapore e-commerce. Is it answered on how Jack Ma establishes and develop Alibaba startup, and the other side, Joko Widodo as a highest political-economic power in Indonesia so he can choice Jack Ma directly to Indonesian startup especially on e-commerce despite there is much weakness of Alibaba on internal or external factors. This phenomenon was attracting the Indonesian government too involved in the startup economic phenomena, and that will build a new bilateral relationship between Indonesia and China.

2. Network Capital Theory

Network capital is a form of “social capital”. Social capital is a sprawling term, ranging from an individualistic framework that emphasizes the advantages that individuals can gain through their personal networks to a collective perspective that emphasizes the advantages of volunteerism to a community. Social networks also are important for social groups and society, place differing levels of emphasis on the role of networks in building trust or the exchange of various types of resources

Network members provide emotional aid, material aid, information, companionship, and a sense of belonging. Their “social support” is one of the main ways that households obtain resources to deal with daily life, seize opportunities, and reduce uncertainties. These are not trivial pursuits, for people or for society. For people, personal community networks are flexible, efficient, available, and custom tailored sources of social capital that are low in financial cost. They may strengthen bonds while providing needed resources. For

society, network capital conveys resources, confirms identity, influences behavior, and reinforces integrative links between individuals, households and groups. The nature of network capital affects the quality, quantity, novelty, and availability of resources. Moreover, the loosely-coupled, networked nature of contemporary societies means that social capital comes contingently from a variety of persons, ties and networks, rather than stably from a single, solidary group.

Therefore, at the network-level of analysis, researchers look at the composition of the networks and the structure of these networks. Such analyses seek to understand how the properties of networks affect what happens in them. Which attributes of networks tend to occur together.

Hence the provision of network capital depends on the social characteristics of each network member or alter and the relational characteristics of each tie with a network member. With respect to the social characteristics of network members, support may be a function of the characteristics of egos who may receive support or of alters who may provide support. For example, women are more likely to receive support, and parents and adult children are more likely to provide support.

Thus network capital operates through many aspects of interpersonal life that make resources available. One of them is Reciprocity. Reciprocity can be said as the history of support that egos have given to alters. Means that there is an action of vice-verca between two parties.

E. Hypothesis

Jokowi choose Jack-Ma to endorse Indonesian startup, because:

1. The decision of the Indonesian government in the era of Joko Widodo to choose Jack Ma because of he is

valuable from power, experience, and understanding to startup.

2. Jokowi administration wants to strengthens bilateral relationship especially in economic with China.

F. Research Methodology

In order to complete this research, the writer used the qualitative method. Type of data in the research methodology is distinguished into two kinds, namely: quantitative data and qualitative data. The data that is in the form of words, sentences, or images is called as qualitative data. Nonetheless, qualitative data can be changed to be quantitative data so that it will be nominal and ordinal data. On the other hand, quantitative data is the data in the form of numbers, and also it can come from qualitative data that has changed to the number (Irwan Gani, Siti Amalia, 2015).

This research aims to make the explanation to be more systematic, factual, and accurate that is related to the fact and the object of the study. Therefore, type of data that is analyzed by the researcher in the thesis about the reason why did Joko Widodo administration choose Jack Ma to develop Indonesian startup is qualitative data, where it is the data that comes from the result of data collection that is interpreted into words so that it can be composed.

The qualitative data collecting mostly get from desk review from Indonesian startup website, and the local data website. Also, blending the investment data from local data with data from China also, which is related to with e-commerce of Indonesia.

Then, the writer would like to use relevant references, for instance, the academic journals, books, news from an official economy net and the governments.

Finally, the researchers used the descriptive analysis to describe the measures taken by e-commerce Indonesia in order to build the e-market of Indonesian Identity as the marketplace of Indonesia.

G. System of Writing

The Systematic of Research that will be elaborate more inside this undergraduate thesis will be as following:

CHAPTER I: Is the Introduction Chapter, Purpose of Research, Background of Problems, Research Problems, Theoretical Framework, Hypothesis, Research Outreach and Systematic of Research.

CHAPTER II: Explain the history of Jack Ma about the startup that he has been developed and takeover. And the negative impact of that

CHAPTER III: Explain about The other actors that try to develop the Indonesian startup before Jokowi's Administration and Jack Ma

CHAPTER IV: Analysis of why the Indonesian government assigns Jack Ma as Indonesian startup supervisor and Explain the Strategy of the Indonesian government to make these phenomena as a new form of cooperation.

CHAPTER V: Elaborating conclusion from the elaboration and summary of the previous chapter

