

CHAPTER IV

THE REASON PRESIDENT JOKOWI CHOSE JACK MA FOR INDONESIAN E-COMMERCE STARTUP

The increase of startup especially e-commerce starting in Jokowi's presidential era, as we know the target in his presidential is economy developing. Many sides of the Indonesian economy that increased well. Actually, the previous president, Susilo Bambang Yudhoyono in the last of his era also tend to economic development. There also new policy was created for e-commerce and the beginning of Jokowi era. The things that make Indonesia economy more powerful in Asian regional is from startup sector. Many kinds of a startup that developed in Indonesia at the beginning of Jokowi era and tend to e-commerce startup.

The new policy that makes for startup developing of Indonesia is about international free trade market. This policy makes free trading between a state among others state, especially in the Asian region.

Not only in trading, free trade market policy that was created by Jokowi's presidential also aim the investor from others region. An example comes from Singapore, China, and also European counties. The most significant investor side in the Indonesian economy is startup e-commerce. Many actors see the Indonesian opportunity to develop of the e-commerce. Also, they able and promising actors that were knowing well about startup.

However, then Jokowi chose Jack Ma as e-commerce adviser for Indonesian startup, whenever there are many actors who come into Indonesian startup world and it also surprising for the Indonesian economy. The reason it is surprising because of the issues behind of Jokowi between the China's

actors and history. Of course, the option and the perspective of Jokowi for Indonesian e-market certainly has a strong reason

behind it, and thus it is interesting to be discussed. In this chapter, the perspective about why Jack Ma was a chosen actor by Jokowi administration to developed Indonesian startup will be explained concerning prove the hypothesis of this thesis.

A. Jack Ma Build His E-Commerce Startup

As we know, Jack Ma is the prominent influencing actor in startup not only in his region but nowadays his successful also penetrated in any regions in the world. Firstly sign in to startup in 1999 with 17 peoples and Jack Ma as a leader. Began with trader and commerce enabler for small businesses by engaging in internet platform and aim the local Chinese societies. Jack Ma's purpose for his market are these businesses to grow and be competitive in both the domestic and global markets.

After long days and many ways Jack Ma successfully to get a big market on the internet. His innovation of market was acceptable by the world, in China, Asia, and also global market knowing about Jack Ma. Because his the ways of a market that created by Jack Ma is more comfortable to use and reasonable to the buyer from any countries, want to buy good stuff from Jack Ma's market innovation.

In this chapter would explain how Jack Ma in his land, region, and how global face it seriously about Jack Ma.

1. China's Startup Development

This startup created in Hangzhou, the capital city of Zhejiang- China, and also affluent areas of China, created to fulfill the local needs of some goods that local society hard to get in. From this Jack Ma see the opportunity for helping each other to get goods that they do not know how to get.

Today Jack Ma can easy to fulfill the demand of China peoples in retail and wholesale with his startup, especially in e-commerce. This businesses leverage the power of the internet to establish an online presence and conduct

commerce with consumers and businesses. His startup engaged in developing an online marketplace standard in China. It makes a significant investment in infrastructure technologies in order to support its growing ecosystem. Technology from Jack Ma's startup, allow China's company technology and infrastructure harness the strong volume data generated from the marketplace and more develop and optimise the product and service offered on its platform for China's society. Jack Ma's Startup in Asia.

Jack Ma also successfully converted all of China's economic system. Not only in e-commerce, but Jack Ma also did well to develop an economy of China by making innovation and ideas for trading online system. For example, the payment system in China mostly used Alipay (online payment system), Yahoo China (e-mail) was successfully acquired by Jack Ma.

Here is the table about Jack Ma who is the success man behind China's startup.



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2. Global Startup Development

Since its humble beginnings in 1999, when Jack Ma and 17 other co-founders launched it, Alibaba.com has become the world's largest online business-to-business global trading marketplace, with 2.5 million and 14 million registered users in its international and Chinese domestic marketplaces respectively in 2004, the Alibaba websites boasted an estimated combined transaction volume of more than US\$4.5billion. (Anyflip, 2010) Alibaba.com also owns and operates Taobao.com, a business-to-consumer and consumer-to-consumer marketplace. Alipay, an online payment system in China. On October 2005 Yahoo mail, a multinational internet corporation that based on the United States of America. This corporation knowing as internet portal and e-mail that used by many people in the world, but the Yahoo that base on China has acquired in by Jack Mas' group and become part of Alibaba.

In the other existence of Jack Ma to the global internet, Jack Ma becomes a successful actor that defeated some Europeans startup like Amazon. Because if Alibaba Group and Amazon compared with apple to apple, the Amazon system mostly defeats by Alibaba. Not only in the market, outsource, and system, Amazon losing their consumer because the stuff of Alibaba group is cheaper and complete.

The successful Jack Ma to facing the world market also in the ways they more innovated than Amazon. Even though the existence of Amazon is more knowing by European peoples, Jack Ma with a younger startup can break a deal fastly and able for world e-market.

B. Indonesian Government in Jokowi Era (Bilateral Among Indonesia and China)

1. Government Response

In the previous chapter was explained the beginning Indonesia is in the midst of an e-commerce startup boom and no wonder. It is the world's fourth-largest mobile-phone market, with more SIM cards in use than there are people. Two-fifths of its 255m population half of whom are under 30 have a smartphone. The e-commerce sector is vibrant in large part because, in the previously SBY president administration, the government has not yet worked out how to regulate it. In the era of SBY Indonesia's attitude towards business has in general been hostile. Its labour laws are rigid (SpecialReport, 2016). To start a business takes an average of 47 days, compared with four in Malaysia and 2.5 in Singapore.

This is also supported by Jokowi's administration because, in the same time Jokowi administration said that the newcomer of e-commerce has to follow the Indonesian Constitution of electronic information and transaction (Undang-undang Informasi dan Transaksi Elektronik) (Islami, 2017). The rules of Indonesian e-commerce startup is:

UU Nomor 7 Tahun 2014 menjelaskan setiap pelaku usaha wajib menyediakan data lengkap dan benar. Pelaku usaha dilarang menggunakan sistem yang tidak sesuai dengan data dan informasi yang ditayangkan pada laman e-commerce. "Semua harus benar sesuai fakta,"

This constitution created because e-commerce becomes a new concern of the Indonesian government. The average target of Indonesia for 2020 to create Indonesia as a digital economy country. The minister of the economy also said that Indonesia would become a Southeast Asian country

At present, the government is proclaiming Indonesia as the most significant digital economy in 2020 and is targeted to be the largest in Southeast Asia. One of the cornerstones of

national development in this declaration is the digital sector. The government targets e-commerce transactions to reach the US \$ 130 billion and create 1000 technopreneur (e-business actor) with a business value of US \$ 10 billion by 2020. (Informatika, 2016)

Why Jokowi choice Jack Ma become an adviser of e-commerce startup because, besides the capable of Jack Ma to handle a startup, there is a potential of Indonesian e-commerce was seen by many investors especially Tingkok investor in the last quarter of Indonesian e-market.

Let's see Go-Jek and Traveloka which are Indonesian startups that attract China's actor to make an investment. Go-Jek as a transportation service provider that using the internet also for they get the consumer. Go-Jek use there digital startup application to conduct their business to reach the customer, and Tencent is the China's startup that gives an investment for Go-Jek. The investment up to US \$ 1.2 million and it is a very big digit for a corporate investment to a new startup at the time in Indonesia. And the other startup that gets investment from Tiongkok is Traveloka, traveloka was also known as Indonesian Unicorn startup because they receive up to US \$ 1 billion in the last 2017. The successful and income of Traveloka marks by they selling a ticket then was successful receive a fund from East Ventures (Natasya, 2017). Then the next year in Jokowi's administration indeed, Ferry Unardi share the report that Traveloka which is the Indonesian startup that gets an investment from JD.com.

It is a fact for a long time that the market of Asian region admittedly was handled by China, and Indonesia is one example country that handled by China too. The developer of e-commerce in Indonesia mostly successful. It can be impacted for developing of Alibaba startup and also one step closer for the global market as the purpose of Alibaba between the others competitor. Meanwhile the developing of local Indonesian startup like Tokopedia, Bukalapak, etc. It is the answer for how Alibaba group was reaching some goals for local Indonesian startup. Alibaba doing this because after the

developing of Alibaba's market to others e-market in Indonesia the operational market network of Alibaba group will be more opened widely (Wahyuningsih, 2018).

Here the table of China's investor for Indonesian startup:

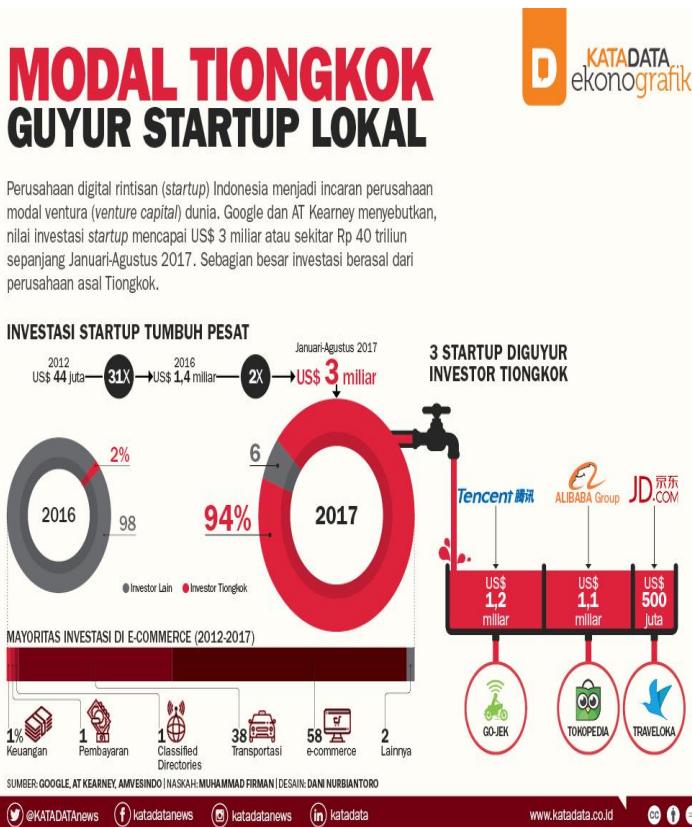


Figure 4.3: The Tiongkok investor in Indonesian Startup
Source: (Katadata, 2017)

E-commerce Corporation like Alibaba in Indonesia has a good value for the Indonesian government because the Indonesian government sees the opportunity that creates by Alibaba. The developing of the economy, attract the investor and also become an outsourcing market that the goods which sell into e-market can slowly be dominating by Indonesian product. It is a consideration from the existence of Alibaba network in Asian and Europ e-market, and they can get market more thoroughly.

Jack Ma also believes to Indonesian e-market development it is for the future Asian market because consumption product of *netizen* in Indonesia is high. The average buy-in e-commerce of them can buy a product in e-commerce more than twice each day. Also, the easy process of buying and they know the credible for selling product in e-commerce is good. Because of that, the developing Indonesian e-commerce is higher when Alibaba actually Jack Ma come into the market of Indonesian e-commerce. Alibaba also becomes an investor for local Indonesian e-commerce like Tokopedia and the impact huge for Tokopedia because Alibaba invests to this startup about U\$ 1.1 milliard. This step was taken because Alibaba knows the future prospect of Indonesian startup really promising in the Asian market development.

C. Strengthens Indonesian E-Commerce with China

Network 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 (Coleman, 1988). 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. 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. (Wellman, 2001)

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 and to them. Which attributes of networks tend to occur together.

Hence the provision of network capital depends on the social characteristics of each network member 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-versa between two parties. Cross-country

relationships between communities will determine the dynamics of Indonesia-China ties. Interaction between people is not simply about tourism but about networking between academics, youth activists, artists and religious groups. For more than 30 years, the citizens of both countries learned to be mutually suspicious, seeing each other as a threat due to the freezing of bilateral relations under president Soeharto. Therefore, the two sides need to increase interaction and exchange between their people.

By choose the actors from China Jokowi administration to be adviser of Indonesian startup aim the future network especially in the developing of e-market. Indonesia is Southeast Asia's largest economy and China has become its largest trading partner in the past years. Relations between Indonesia and the China have tended toward more cooperation for mutual benefit. Right after independence, in 1949 Indonesia opened diplomatic relations with China. Under first president Sukarno, Indonesia's friendly ties with China were a top priority. Liu Hong, in a book titled *The Chinese and The Shaping of Indonesia, 1949-1965*, reveals that China was like a lighthouse, pointing the way to how Indonesia should develop.

Under sixth president Susilo Bambang Yudhoyono, Indonesia reached a higher level of relations with China. It signed two important agreements the Strategic Partnership (2005), later upgraded to the Comprehensive Strategic Partnership (2013). Political, economic and socio-cultural relations continued to increase due to intensive interaction among residents, business groups and the two governments.

Additionally, President Jokowi has vision to make Indonesia the world's maritime fulcrum is congruent with China's President Xi Jinping's plan to build a New Maritime Silk Road. Chinese officials and analysts have often explained that the plan aims to strengthen maritime connectivity and enhance the capacity of countries in Southeast Asia to

maximize security and the management of maritime resources. The policy supports Indonesia's infrastructure development efforts to support maritime connectivity

In 2015, China won a contract to build a \$5.2 billion high-speed rail line from Jakarta to the West Java's city of Bandung. That project is now stalled Premier Li Keqiang is expected to seek to help resolve some of the problems surrounding it. (Press, 2018)

Under President Joko Widodo, Southeast Asia's largest economy has been ardently supporting the AIIB and boosting its relationship with China, viewing Beijing and its initiatives as a vital part of funding efforts to improve its barely functioning infrastructure. Indonesia's embrace of the AIIB is rooted in the country's longstanding efforts to address its infrastructure crisis. Indonesia ranked a dismal 81st in the 2015-2016 World Economic Forum competitiveness rankings for infrastructure, significantly lagging behind its regional peers like Singapore, Malaysia, Thailand, and, embarrassingly, even Laos. These infrastructure problems have been a drag on economic growth, with Indonesia's logistics costs estimated at a whopping 26 percent of the country's GDP (as opposed to just 8 percent in Singapore or 14 percent in Malaysia).

Since coming to power in November 2014, President Joko Widodo has made infrastructure a key priority of his administration. He has outlined an ambitious plan to build ports, railways and roads to boost the country's economic growth to 7 percent. The trouble, however, is how to finance them. The World Bank estimates that Indonesia will have a \$600 billion infrastructure gap in the next five years, and the government's budget for infrastructure was recently trimmed to 97 trillion rupiah (\$7.4 billion) from 104 trillion rupiah, in part due to lower commodity prices and revenue shortfalls. Though officials say the budget will rise again next year, data from the Public Works Ministry indicates that the state budget

can only finance about 40 percent of the 5,519 trillion rupiah for infrastructure investment in Jokowi's first term.

One obvious solution, then, is to bring in more funds from the private sector as well as multilateral banks such as the World Bank, the Asian Development Bank, and the new Asian Infrastructure Investment Bank that China had initiated back in October 2014. Recognizing this, Jokowi has made infrastructure the central topic of discussion in his interactions with Chinese officials. In his first round of discussions with China at the Asia Pacific Economic Cooperation (APEC) summit in Beijing back in November 2014, which was also his first overseas trip, Jokowi bluntly told Chinese President Xi Jinping that he wanted Sino-Indonesian relations to materialize into "more concrete outcomes." Since then, he has requested that Chinese state companies be more involved in infrastructure projects, and has called for measures to boost Chinese investment into the country more generally.

China, for its part, has been keen to oblige. Though Beijing is already Indonesia's largest trading partner, it still lags behind in terms of investment. From a more strategic perspective, support for its new regional economic initiatives in general and good ties with Indonesia, a leader within the ten-member Association of Southeast Asian Nations (ASEAN), is also a boost for China's diplomacy in the region.

Beside, Indonesia to China giving a tender investment and under bilateral permission till China can hold the tender ownership so, that development projects can be given to Chinese companies.