JURNAL TRANSBORDERS

Fostering China–ASEAN Relations Through E-Commerce Diplomacy: Lazada and Alibaba

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Abstract

The expansion of the digital economy has reshaped international economic interaction and opened new channels for cross-border cooperation. Within China-ASEAN relations, e-commerce has become a strategic instrument for deepening regional economic integration and advancing the Belt and Road Initiative (BRI). This study examines how e-commerce diplomacy, carried out through the digital platforms Alibaba and Lazada, has contributed to closer relations between China and ASEAN member states. Using a qualitative literature-review approach, the study draws on academic publications, institutional reports, and policy documents concerning the digital economy and China-ASEAN cooperation, and reads them through the combined lenses of economic diplomacy and international relations. The findings indicate that digital infrastructure development, digital manufacturing expansion, and cross-border e-commerce facilitation are the primary drivers of closer economic cooperation between China and ASEAN. China's investments in ASEAN's digital sector have improved regional connectivity and accelerated market integration, while Alibaba's acquisition of and continued investment in Lazada have expanded market access and strengthened economic linkages between the two regions. The study also finds that policy coordination and institutional support remain preconditions for sustainable digital economic governance in the region. E-commerce diplomacy, in this sense, functions as an emerging instrument of economic diplomacy that deepens China-ASEAN relations in the digital era.

Keywords: *E-Commerce Diplomacy; Digital Economic Diplomacy; China-ASEAN Relations; Alibaba; Lazada; Belt and Road Initiative (BRI).*

INTRODUCTION

Economic globalization has moved the digital economy to the center of national strategic agendas worldwide, reshaping living standards and the terms on which enterprises compete and cooperate across borders. China's Ministry of Foreign Affairs (2021) has described the growth of digital trade as a new arena of global rule-making, spanning cross-border data flows, digital taxation, and platform governance, an arena in which conventional trade paradigms increasingly collide with the demands of a digital trade sector.

Pursuing a long-term strategy to move from a developing to a developed economy, China launched the One Belt One Road (OBOR) initiative to connect itself with nations across Asia, Europe, and Africa (Yingfei et al., 2021). Making sense of OBOR requires tracing its links to business, society, economics, and politics across the countries it touches (Gabuev, 2016). Cross-border e-commerce has become one of the clearest expressions of that strategy: a model that uses e-commerce as an international trade channel to ease trade and loosen the constraints of conventional regional trade barriers (Wang & Liu, 2022). Inside China, e-commerce has already become the default way of transacting, reshaping conventional trade patterns through internet platforms and financial services. Multinational firms operating under OBOR illustrate a similar adaptive logic: Hewlett Packard, for example, shifted production inland in response to rising coastal labor costs, , leveraging OBOR-linked infrastructure to keep its supply chain efficient (Wong et al., 2018).

China-ASEAN relations sit inside a dense network of treaties and agreements. ASEAN's approach has been described by scholars as ‘omnienmeshment’: building multilateral frameworks to manage relations with major powers and, in the process, constraining China's room to maneuver (Goh, 2007, in Ting, 2017). China's own posture has shifted since the mid-1990s, from reluctance toward multilateral frameworks to active participation aimed at maximizing its influence within them.

China has been the world's largest e-commerce market since 2013 and overtook the United States as the world's second-largest digital economy in 2016 (Lee & Shen, 2020). Alibaba's establishment of the first free digital trading zone in Malaysia that same year marked a step toward aligning private-sector initiatives with the OBOR vision, echoing founder Jack Ma's advocacy for a global digital trading platform (Lee & Shen, 2020). Alibaba's push into cross-border commerce has since extended its retail and wholesale operations to well over one hundred countries and regions, and its 2016 acquisition of a controlling stake in Lazada, followed by successive rounds of additional investment, gave the company a direct foothold in Southeast Asia's e-commerce market (Tian & Li, 2023).

Considering these developments, this paper examines the role of e-commerce platforms, particularly Alibaba and Lazada, in fostering relations between China and ASEAN countries. Drawing on theoretical frameworks from international relations and empirical evidence on Alibaba's regional expansion, the study explains the mechanisms through which e-commerce platforms contribute to regional cooperation and integration within the broader field of commercial diplomacy.

ANALYSIS FRAMEWORK

Commercial Diplomacy

Ruël and colleagues (2013) characterize commercial diplomacy as the use of diplomatic channels to support commercial endeavors, including the promotion of exports and foreign direct investment (FDI). This strategic activity, aimed at promoting economic stability, improving national welfare, and building a competitive edge, is carried out with the resources at hand and directed at one or more foreign nations through bilateral or multilateral means. Commercial diplomacy is a broad concept: it covers nation branding, participation in international forums such as those organized by the WTO, and the use of incentives and penalties to pursue foreign policy goals. Lee (2004) extends this notion by emphasizing the involvement of the private sector, defining commercial diplomacy as the collaborative effort of a network combining public and private entities that coordinate commercial interactions through diplomatic channels and procedures.

Naray (2011) offers a managerial perspective that distinguishes commercial diplomats from commercial diplomacy itself. Commercial diplomats, as state representatives with diplomatic status, focus on promoting business interaction between their home and host countries. Commercial diplomacy is the broader practice of fostering bilateral business through the roles commercial diplomats perform across trade promotion, investment facilitation, and science and technology collaboration. This definition places business promotion, rather than trade policy negotiation or regulatory design, at the center of the concept. Alongside commercial diplomats, public, private, and mixed organizations collectively described as “business support organizations” further illustrate how multifaceted commercial diplomacy has become.

The Role of International Relations in E-Commerce

International relations underpin a country's security, sustainability, economy, and stability (Balcerzak & Bernard, 2017). Strong relationships with major economies open opportunities for international trade in goods, logistics, sourcing, and production. Following the COVID-19 pandemic, communities worldwide shifted further toward online trading, accelerating the build-out of e-commerce-friendly infrastructure. As trade modalities evolve from conventional to digital, the significance of international relations remains largely unchanged: countries seeking cross-border trade still need strong bilateral ties, and this need shapes competition among economic powers in ways that affect smaller, trade-dependent economies. Countries with strong relations with China and allied states have generally captured more of the resulting trade benefits, while countries more reliant on the United States faced added friction during the COVID-19 period — a dynamic that has since pushed the United States to strengthen its own ties and pursue e-commerce-related opportunities elsewhere (Ubaydullaev, 2021).

Digital commerce offers a promising avenue for both developing and developed nations, though on different timelines. Developed nations tend to capture short-term gains by targeting affluent markets, while developing countries benefit more over the long run from infrastructure development, particularly in information technology (Kondratiuk-Nierodzińska, 2016). The economic dividends of digital commerce include enhanced productivity, pricing efficiency, and organizational adaptability; firms reconfigure supply chain strategies to remain competitive, which in turn fosters coordination and collaboration across partners.

The internet has been a catalyst for cross-border e-commerce, reshaping trade dynamics globally by enabling industry-to-industry and industry-to-consumer transactions directly, without geographic intermediaries (Terzi, 2011). Online storefronts let sellers reach consumers well beyond their home markets, which has fueled much of the growth in global e-commerce over the past decade. International relations continue to shape how far and how fast this growth extends into any given region.

RESEARCH METHOD

This study uses a literature review methodology to investigate the role of e-commerce platforms, specifically Alibaba and Lazada, in fostering relations between China and ASEAN countries. A literature review allows existing research, theoretical frameworks, and empirical evidence relevant to the topic to be synthesized systematically. The study draws on academic articles, institutional reports, and primary corporate disclosures (including Alibaba Group's annual and quarterly financial filings) to build a theoretical foundation and identify recurring themes and gaps in the literature.

The review proceeded in several steps. First, a search of academic databases (Scopus-indexed journals and Sinta-accredited journals were prioritized) identified peer-reviewed sources directly relevant to China-ASEAN digital economic cooperation. This search was supplemented with government publications, industry reports, and Alibaba Group's own regulatory filings, used specifically to verify quantitative claims about revenue and market performance that cannot be reliably sourced from secondary academic commentary alone. Once relevant literature was identified, it was reviewed and synthesized to extract key insights, theoretical frameworks, and empirical findings related to e-commerce platforms and China-ASEAN relations, and cross-checked against primary sources wherever a source made a specific numerical claim. This last step was treated as essential rather than optional: in the process of preparing this paper, several figures attributed to secondary academic sources in earlier drafts were found not to appear in those sources at all and were traced back to, and re-verified against, Alibaba Group's original financial disclosures (see Results and Discussion, Section 4.1).

RESULTS AND DISCUSSIONS

Alibaba and Lazada's Contribution to China-ASEAN Relations

China's ability to offer cost-competitive products globally has been reinforced by OBOR, which has opened channels for international partnership and encouraged manufacturers and policymakers to maximize output (Wang & Liu, 2022). Wang and Liu's (2022) survey-based study of contractors, marketers, logistics providers, and engineers operating under OBOR finds that factors of production, international trade, and international relations all have a measurable, statistically significant effect on e-commerce activity — lending empirical support to the broader claim that cheaper factors of production help drive the diffusion of e-commerce internationally.

Alibaba's acquisition of Lazada marked a significant expansion of its international retail operations, which had previously centered on AliExpress. Lazada itself was founded by Rocket Internet and entered the ASEAN market in 2012, well ahead of most competing platforms, which gave it an early foothold in the region (Tian & Li, 2023). Alibaba first acquired a controlling stake in April 2016 and raised its holding in subsequent funding rounds through 2018 (Tian & Li, 2023).

According to Alibaba Group's own financial disclosures, revenue from the company's international commerce retail segment, which consolidates Lazada alongside AliExpress, grew from RMB2,204 million (approximately US$342 million) in fiscal year 2016 to RMB7,336 million (approximately US$1,066 million) in fiscal year 2017, an increase of roughly 233% year-on-year, driven primarily by the consolidation of Lazada from mid-April 2016 and continued growth at AliExpress (Alibaba Group Holding Limited, 2017a). At the group level, Alibaba's total revenue grew by 56% in fiscal year 2017 compared with fiscal year 2016, and operating profit grew by 65% over the same period (Alibaba Group Holding Limited, 2017b). Net income, however, fell by 42% year-on-year in fiscal year 2017; this was not a sign of underlying weakness but a base-year effect, since fiscal year 2016 net income had been inflated by one-off gains from the deconsolidation of Alibaba Pictures and the revaluation of Alibaba's stake in Alibaba Health (Alibaba Group Holding Limited, 2017a). The earlier draft's claim of a "35.23% increase in net profit" over the same period does not hold up against Alibaba's own reporting and has been removed rather than restated, since no verifiable source for that specific figure could be located.

The proliferation of digital devices and rising internet access have fueled e-commerce growth across Southeast Asia, with smartphone ownership and household internet connectivity rising sharply since 2010 (Wang & Liu, 2022). This growing digital infrastructure underpins the region's e-commerce landscape, and Alibaba's technology transfer to Lazada following the acquisition, spanning logistics, payments, and platform infrastructure, has strengthened Lazada's capabilities and improved the shopping experience for ASEAN consumers, contributing further to regional e-commerce growth (Tian & Li, 2023).

A favorable policy environment across Southeast Asia has reinforced this growth. Governments in the region have adopted more open merger-and-acquisition policies and offered incentives to attract foreign investment in internet technology companies; Indonesia's streamlined investment registration process and Thailand's Eastern Economic Corridor, with its preferential tax treatment, are commonly cited examples (Wang & Liu, 2022). In this environment, Lazada functions as a gateway in both directions: Chinese businesses reach ASEAN consumers through it, and ASEAN merchants reach the Chinese market through Alibaba's ecosystem, which broadens market access for firms on both sides and supports deeper economic integration between the two regions.

Mechanisms of E-Commerce Cooperation Between China and ASEAN

Both China and ASEAN have placed growing emphasis on digital economy cooperation. Within the Belt and Road framework, 2020 was designated a focal year for China-ASEAN digital economy cooperation, culminating in the China-ASEAN Initiative for Digital Economy Partnership. Follow-up efforts in November 2021 advanced the ASEAN Digital Master Plan 2025 and expanded collaboration on digital infrastructure and smart-city development; by January 2022, both the Action Plan for the ASEAN-China Digital Economy Partnership (2021-2025) and the ASEAN-China Digital Collaboration Scheme for 2022 had been ratified, formalizing the cooperative framework between the two sides (Bi, 2021).

Empirical research on RCEP-era digital trade supports the view that this kind of infrastructure and institutional cooperation translates into measurable trade outcomes. Using panel data from 2012 to 2021, Wang et al. (2024) find that digital economy development among RCEP member countries, which include the ASEAN states, has a direct, positive effect on China's cross-border e-commerce exports, and that the quality of a partner country's transportation infrastructure and institutions moderates how strongly that effect is felt. In other words, China's investments in ASEAN's digital and physical infrastructure are not just goodwill gestures; they appear to be a precondition for the trade gains that cross-border e-commerce cooperation is meant to deliver.

Cross-border e-commerce marketplaces are the clearest institutional expression of this cooperation. Alibaba's Tmall Global and Lazada function as centralized platforms that let Chinese sellers reach ASEAN consumers and let ASEAN merchants access the Chinese market, while also supporting collaboration on digital payments, technology transfer, and regulatory alignment. Alibaba's continued capital investment in Lazada, and the technology and logistics transfer that has come with it, illustrates how a single commercial acquisition can double as an instrument of economic diplomacy: it builds the connective infrastructure, digital payments capability, and merchant-facing tools that make deeper China-ASEAN digital trade possible, well beyond what either government could deliver through policy coordination alone (Tian & Li, 2023).

CONCLUSION

The growth of the digital economy and cross-border e-commerce has reshaped international trade and cooperation. Against the backdrop of globalization, initiatives such as China's Belt and Road Initiative and the ASEAN Digital Master Plan underscore the importance of digital connectivity in driving sustainable development and regional integration. This paper has examined the mechanisms through which e-commerce platforms, notably Alibaba and Lazada, contribute to China-ASEAN relations.

China's investments in digital infrastructure, together with its participation in regional partnerships such as the ASEAN-China Digital Economy Partnership, have supported the growth of e-commerce and digital trade in ASEAN countries. Alibaba's acquisition of Lazada, and its continued investment in the platform since 2016, expanded Alibaba's international retail operations and gave it a durable foothold in Southeast Asia; the resulting technology transfer and infrastructure development has strengthened digital trade ties between the two regions in ways that go beyond what either side's own e-commerce sector could achieve independently.

Sustaining this momentum will require continued investment in digital infrastructure, further policy alignment, and continued strategic partnership. The ASEAN-China Digital Economy Partnership and the Belt and Road Initiative provide a framework for that continued collaboration. By building on the platforms that Alibaba and Lazada have already established, China and ASEAN countries have room to unlock further economic growth and regional connectivity in the years ahead.

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