Jurnal Bisnis dan Komunikasi Digital: Volume 2, Number 2, 2025, *Page*: 1-17

Temu's Paradox: Disrupting Markets in Import-Driven and Producing Economies

Kurniawan Arif Maspul[1], **Nugrahani Kartika Putri**[2]

[1]University of the People, US
[2]University of East London, England

DOI:
https://doi.org/10.47134/jbkd.v2i2.3766
*Correspondence:
Kurniawan Arif Maspul
Email:
kurniawanarifmaspul@my.uopeople.edu

Received: 11-12-2024
Accepted: 12-01-2025
Published: 19-02-2025

Abstract: The rapid expansion of Temu, a global e-commerce powerhouse, is reshaping economic landscapes with profound and often polarizing effects. This study delves into its dual impact on two contrasting economic environments: non-productive economies that thrive on imports with minimal trade barriers (e.g., the Middle East) and producing economies with strong local industries fighting to stay afloat (e.g., Southeast Asia). While Temu's meteoric rise in import-dependent markets is fueled by tax exemptions and insatiable consumer demand for ultra-affordable goods, its aggressive penetration into producing economies threatens to undermine local industries, displace workers, and disrupt regulatory frameworks. Through a rigorous comparative economic analysis, policy evaluation, and consumer behavior study, this research uncovers the deeper implications of Temu's business model on market stability, economic sovereignty, and long-term sustainability. The findings shed light on the shifting dynamics of global e-commerce, the effectiveness of protectionist policies, and the socio-economic trade-offs of unrestricted cross-border trade. As nations grapple with the balance between affordability and self-reliance, this study serves as a critical exploration of the policies and strategies that will shape the future of digital commerce in emerging markets.

Keywords: Global E-Commerce, Market Disruption, Economic Sovereignty, Consumer Behavior, Protectionist Policies

Introduction

The global e-commerce landscape has been profoundly reshaped by platforms like Temu, which have leveraged low-cost production, aggressive pricing strategies, and cross-border trade to penetrate diverse markets (Forbes Business Council, 2021). Launched in 2022 by PDD Holdings, Temu has rapidly expanded its footprint, operating in over 70 countries and regions worldwide as of July 2024. This swift expansion is underpinned by Temu's ability to capitalize on economies of scale, enabling the platform to offer products at prices often significantly lower than local competitors (WeWe Magazine, 2025).

In non-productive economies, such as those in the Middle East, Temu's impact is particularly pronounced. These regions, characterized by a heavy reliance on imports and minimal domestic manufacturing, have seen consumers gravitate towards Temu's affordable offerings (Chu *et al.*, 2020; WIRED Middle East, 2024). The absence of import duties in many Gulf nations further amplifies this trend, creating an environment where foreign e-commerce platforms can thrive with minimal barriers. Since its launch in the United Arab Emirates in September 2023, Temu has rapidly expanded its footprint across the Middle East, including Saudi Arabia, Kuwait, Qatar, Bahrain, Oman, and Jordan (Saied, 2024). Temu offers a diverse range of products across over 200 categories, from household essentials to electronics, catering to the unique needs of consumers in these markets. While this influx of low-cost goods enhances consumer purchasing power, it also raises concerns about increased dependency on foreign imports and the potential stifling of local entrepreneurial ventures (Reuters, 2025).

Conversely, in producing economies like those in Southeast Asia, Temu's expansion presents a complex set of challenges. These nations boast robust manufacturing sectors and a plethora of small and medium-sized enterprises (SMEs) that are integral to economic stability (Financial Times, 2024). The introduction of Temu's competitively priced products intensifies market competition, compelling local businesses to either reduce prices—often at the expense of profitability—or risk obsolescence. For instance, in Vietnam, regulatory hurdles have led to operational suspensions for Temu, highlighting the intricate balance between embracing global e-commerce and safeguarding domestic industries (Republic World, 2025). In October 2024, Indonesia requested Apple and Google to block Temu from their app stores to protect small and medium-sized local businesses from the platform's low-cost competition (Reuters, 2024). Similarly, Vietnam has mandated that Chinese online retailers Shein and Temu must register with the government by the end of November 2024 or face domain and app blocking in the country (Nguyen & Vu, 2024). These regulatory actions underscore the challenges Temu faces in navigating the complex e-commerce landscapes of Southeast Asia.

This study delves into the multifaceted impact of Temu's expansion, focusing on consumer behavior, governmental policies, and economic outcomes in these contrasting environments. This study initiatives to deepen the discussion on global e-commerce dynamics, trade policy, and sustainable economic development by examining Temu's practices and their implications. Understanding the intricate dynamics of global e-commerce requires a deep dive into consumer behavior across varying economic landscapes. This study seeks to analyze the purchasing patterns in tax-free, import-dependent economies such as the Middle East, where affordability and variety drive demand, versus producing economies like Southeast Asia, where consumers weigh cost efficiency against supporting local industries. The contrast in consumer priorities provides valuable insights into the sustainability of cross-border e-commerce models in different economic structures.

A key focus of this research is the examination of government policies shaping cross-border trade in these regions. The study endeavors to evaluate how governments balance economic openness with industrial self-sufficiency by examining regulatory frameworks such as import taxes, trade regulations, and protectionist practices. While Middle Eastern nations often maintain lax import restrictions to cater to consumer demand, producing economies in Southeast Asia impose stringent regulations to shield local businesses from foreign competition. Understanding these trade policies is critical in forecasting the trajectory of e-commerce in emerging markets.

This study also seeks to evaluate Temu's pricing strategies and their impact on local business ecosystems. Temu's ability to leverage economies of scale, bulk purchasing, and strategic supplier negotiations has allowed it to maintain aggressively low prices, outcompeting both domestic and international rivals. However, the implications of this approach on employment, market sustainability, and business viability remain largely underexplored. Therefore, this study advances to the greater discussion on digital trade fairness and market equilibrium by looking into the economic and labor market implications of Temu's pricing mechanism.

Furthermore, the study aims to compare the economic outcomes of Temu's expansion in non-productive versus producing economies, providing a comprehensive analysis of the short-term benefits and long-term economic risks associated with its market penetration. While consumers in non-productive economies may enjoy immediate financial relief through cheaper goods, the lack of domestic industry development could lead to overreliance on foreign imports. Conversely, in producing economies, aggressive foreign competition could erode local industry strength, suppress wages, and disrupt labor markets—posing a fundamental challenge to economic stability and national growth.

Finally, this research will propose strategic policy recommendations to help governments balance foreign e-commerce integration with domestic economic protection. Whether through import taxation reforms, digital trade agreements, or incentives for local entrepreneurs, policymakers must devise regulatory strategies that preserve economic sovereignty while fostering innovation and consumer choice. This study strives to provide stakeholders—including governments, corporations, and consumers—with the knowledge they need to properly navigate the ever-changing digital trade landscape by providing a framework for sustainable e-commerce regulation.

Methodology

This study adopts a qualitative, multi-dimensional approach to unravel the complexities of Temu's market penetration across distinct economic environments. The study contrasts Temu's operations in Saudi Arabia, the UAE, and Qatar—tax-free markets where imports dominate—against its disruptive impact in Indonesia, Thailand, and Vietnam—producing economies attempting to safeguard local industries. This nuanced framework enables a deep exploration of how economic structures shape consumer behavior, business resilience, and regulatory responses in the face of rapid e-commerce expansion. To capture the human impact behind the data, extensive consumer surveys and focus groups are conducted, analyzing purchasing preferences, price sensitivity, and consumer trust in local versus foreign products. These insights paint a vivid picture of how affordability and convenience shape consumer loyalty, while also revealing the growing concerns about market disruption and economic dependency on foreign platforms.

Beyond consumer behavior, the study incorporates economic impact modeling to assess Temu's effect on employment, local business sustainability, and pricing dynamics. This analysis is further strengthened by a comprehensive policy review and expert interviews, featuring perspectives from trade specialists, government officials, and industry leaders who offer critical insights into the regulatory challenges of cross-border e-commerce. Moreover, this study poses a comprehensive and emotionally resonant knowledge of Temu's role in transforming global e-commerce by combining data from many sources, including real consumer voices, economic estimates, and policy experts. The findings not only contribute to academic discourse but also serve as a crucial guide for policymakers, urging them to craft strategies that balance digital trade expansion with the protection of local economies, jobs, and long-term economic sovereignty.

Result and Discussion

Economic and Behavioral Forces in Temu's Market Disruption

A deep and comprehensive analysis of Temu's disruptive impact on global markets requires an exploration of foundational economic and behavioral theories. This study appears into the essential philosophical foundations needed to understand why Temu thrives, what economic forces drive its expansion, and how its operations reshape global trade and consumer behavior.

1. Comparative Advantage Theory: The Dual-Edged Sword of Global Production

   David Ricardo's (1821) Comparative Advantage Theory underscores the rationale behind Temu's competitive edge in international trade. Temu thrives in non-productive economies by leveraging the low-cost, high-efficiency production capabilities of exporting nations, capitalizing on cost arbitrage and superior supply chain logistics. Consumers in tax-free, non-productive economies benefit from cheaper imports, greater product variety, and accessibility to goods previously limited by price constraints. However, in producing economies, Temu's dominance comes at a cost—undermining local manufacturers who struggle to compete against lower-priced foreign alternatives. This phenomenon echoes historical patterns where industries collapse under relentless foreign competition, leading to a decline in domestic innovation and long-term economic dependence (Ricardo, 1821).
2. Consumer Behavior Theory: The Psychology Behind Purchasing Decisions

   The intersection of The Theory of Planned Behavior (Ajzen, 2011) and Utility Maximization Theory explains the stark contrast in consumer preferences between tax-free economies and producing economies. In non-productive economies, consumers prioritize affordability and convenience, gravitating towards Temu's vast product range and aggressive discounting strategies. Here, decision-making is driven by perceived behavioral control—the ability to access affordable goods effortlessly. Conversely, in producing economies, consumer loyalty is more nuanced; brand trust, ethical considerations, and quality concerns influence purchasing decisions. Studies have shown that local consumers often prefer domestically manufactured goods when they perceive them as superior in quality or when nationalistic sentiments play a role in their buying behavior (Ajzen, 2011). This behavioral divergence underscores why Temu's market penetration varies across economic landscapes.

3. Protectionism vs. Free Trade: The Battle for Economic Sovereignty

   The expansion of Temu reignites the age-old debate between Protectionist Policies and Free Trade Principles. Alexander Hamilton's (1791) Infant Industry Argument remains highly relevant—developing industries require protection from foreign competition to achieve economies of scale. Governments in producing economies may impose tariffs, import restrictions, or trade barriers to shield domestic businesses from Temu's low-cost imports. However, free-market proponents argue that such protectionism leads to inefficiencies and stifles innovation. The challenge lies in striking a balance: fostering local industry growth while allowing fair competition in the global marketplace. Data from the World Trade Organization (WTO) suggests that excessive protectionism can lead to retaliatory trade measures, further exacerbating economic tensions (Hamilton, 1791; WTO, 2023).
4. Global Value Chain (GVC) Theory: Reshaping Global Production and Distribution

   Temu operates as a critical node within the Global Value Chain (GVC) Theory, seamlessly integrating suppliers, manufacturers, and logistics providers across multiple economies. This interconnectedness enables Temu to offer ultra-low prices by optimizing production costs in developing countries while targeting high-consumption markets in wealthier nations. The rise of e-commerce-driven GVCs challenges traditional business models, shifting the dynamics of supply chain control from producers to platform-based retailers. This transformation is evident in how Temu dictates pricing power, supplier contracts, and consumer access to goods on an unprecedented scale. Research from the United Nations Conference on Trade and Development (UNCTAD) highlights how platform monopolization within GVCs can lead to price distortions and market dependency, particularly for suppliers reliant on a single dominant retailer (Giroud, 2024; UNCTAD, 2023).
5. Economic Displacement Theory: The Unintended Consequences of Low-Cost Imports

   While Temu's affordability benefits consumers, its impact on producing economies can be devastating. Economic Displacement Theory explains how local industries, unable to compete with cheaper imports, face contraction, leading to business closures and widespread job losses. Studies indicate that small and medium-sized enterprises (SMEs) in producing economies suffer the most, as they lack the financial resilience to endure prolonged competition with large-scale e-commerce platforms. A report by the International Labour Organization (ILO) estimates that 12% of job losses in certain manufacturing sectors can be attributed to direct displacement from low-cost foreign imports (ILO, 2024). The ripple effect extends beyond individual businesses—declining industrial activity weakens local economies, reducing tax revenues and limiting public investment in essential services.

The rise of Temu exemplifies the complex interplay between economic theory and real-world market dynamics. While its efficiency-driven model benefits consumers, it simultaneously exposes vulnerabilities within producing economies, threatening local industry sustainability. As governments, businesses, and policymakers navigate these disruptions, a data-driven, strategic approach is essential—balancing consumer benefits with long-term economic resilience. Addressing the challenges posed by Temu requires forward-thinking trade policies, investment in domestic innovation, and regulatory frameworks that foster fair competition without stifling progress. The world is at an economic crossroads, and the path chosen today will define the financial landscape for generations to come.

Economic and Trade Implications: The Temu Phenomenon
The Impact on Non-Productive Economies

In economies that rely heavily on imports with minimal domestic production—such as those in the Middle East—Temu has capitalized on a consumer-driven market that prioritizes affordability and variety over national economic self-sufficiency. The absence of import duties and protective tariffs in many Gulf nations fosters an environment where foreign e-commerce giants can dominate without restriction. Consumers, drawn by Temu's aggressive pricing strategies, frequently bypass local retailers, further diminishing incentives for domestic businesses to grow. While this model benefits consumers by expanding purchasing power and increasing accessibility to diverse products, it simultaneously deepens economic dependency on foreign imports and suppresses local entrepreneurial activity (McKinsey & Company, 2022; World Bank, 2023).

Furthermore, the lack of robust industrial policies or incentives for local businesses exacerbates the risk of stagnation, as these economies remain consumption-driven rather than production-oriented. Without strategic interventions, this dependency could lead to long-term vulnerabilities, such as trade imbalances and the erosion of local economic resilience.

The Impact on Producing Economies

In stark contrast, producing economies—such as those in Southeast Asia—face a direct threat from Temu's expansion. Unlike their import-reliant counterparts, these nations have well-established manufacturing industries and a strong base of small and medium enterprises (SMEs) that drive economic growth. However, the influx of ultra-low-cost goods from platforms like Temu creates a precarious competitive environment, forcing local businesses to either drastically lower prices or risk obsolescence. SMEs, which employ a significant percentage of the workforce in countries like Indonesia, Thailand, and Vietnam, struggle to sustain profitability when competing against mass-produced, low-margin imports (Laudon & Traver, 2020; Nguyen *et al*., 2024; Park, 2024).

The result is a ripple effect of job losses, business closures, and reduced industrial output. Recognizing this threat, many governments in the region have adopted protectionist measures such as import duties, e-commerce taxation, and stricter foreign trade policies to shield domestic manufacturers from foreign competition. While these interventions aim to safeguard local industries, they also raise concerns about limiting consumer choice and increasing costs for lower-income households. The dilemma for policymakers is to find equilibrium between economic protectionism and the benefits of global trade.

Policy and Economic Considerations

The stark contrast between non-productive and producing economies in their response to Temu's market dominance underscores the complexity of modern trade dynamics. The laissez-faire approach taken by non-productive economies allows for consumer benefits in the short term but increases long-term economic vulnerabilities due to a lack of industrial diversification. In contrast, producing economies have recognized the disruptive potential of foreign e-commerce platforms and have taken preemptive steps to maintain a fair competitive landscape. However, overly restrictive policies risk alienating global investors and hindering technological progress.

Trade experts argue that regulatory frameworks must evolve to accommodate both economic models while ensuring sustainable development. For non-productive economies, this could mean fostering local entrepreneurship through tax incentives, subsidies, and investments in domestic manufacturing to reduce overreliance on imports. For producing economies, the solution may lie in enhancing industrial policies, improving e-commerce regulations, and supporting SMEs through digital transformation initiatives to help them compete with global platforms (Song *et al*., 2022; UNCTAD, 2023). Without strategic regulation, unchecked dominance by e-commerce giants like Temu may lead to monopolistic control, weakening national industries and exacerbating trade imbalances. The future of global e-commerce, therefore, hinges on how effectively governments can balance consumer benefits with economic sovereignty, ensuring that innovation and market access do not come at the expense of local economic stability.

Strategic Policy Recommendations for Economic Resilience

The rise of ultra-low-cost imports poses an existential threat to local industries, eroding domestic job opportunities, weakening national economies, and fostering an unsustainable dependence on foreign production. Without immediate and decisive policy intervention, producing economies risk losing their industrial base, stifling innovation, and relinquishing economic sovereignty. To counter these challenges, governments must adopt a multifaceted approach that balances the need for global competition with the imperative to safeguard local businesses.

1. Implement Gradual Tariffs to Protect Domestic Industries

   One of the most effective tools for shielding local industries from the onslaught of low-cost imports is the strategic implementation of gradual tariffs. Rather than abrupt protectionist policies that might trigger trade conflicts, a phased approach allows industries time to adapt, innovate, and scale up production capacity. Empirical data underscores the significance of such measures—historical analyses show that countries implementing measured tariff protections, such as South Korea and Taiwan in the late 20th century, successfully cultivated world-class domestic industries while maintaining global trade relationships (Kim & Heo, 2017; Rodrik, 2018).

Furthermore, research has demonstrated that excessive reliance on low-cost imports leads to domestic industry decline and job losses. For instance, between 2001 and 2011, the U.S. lost nearly 2.4 million manufacturing jobs due to import penetration from China, often referred to as the "China Shock" (Autor *et al*., 2016; Scott & Mokhiber, 2020). Governments could encourage local industries to raise productivity and compete more effectively by setting strategic tariffs that gradually grow over time, rather than outright barring imported goods.

2. Promote Local E-Commerce Platforms to Compete with Foreign Giants

   The dominance of global e-commerce platforms such as Temu, Shein, and AliExpress has intensified pressure on domestic retailers, often sidelining local businesses that struggle to compete with rock-bottom prices and aggressive marketing (Ecommerce China Agency, 2023). In response, governments must foster the growth of homegrown e-commerce ecosystems, ensuring that domestic producers and sellers have a fair shot at reaching consumers. Countries like India have successfully pursued this strategy, with initiatives such as the Open Network for Digital Commerce (ONDC), designed to empower small businesses by integrating them into a unified digital marketplace (Ameziane, 2024; Malhotra, 2024).

   Investing in national e-commerce infrastructure allows local businesses to retain greater control over pricing, consumer data, and supply chains. Additionally, regulatory frameworks must ensure that foreign platforms do not exploit loopholes such as tax exemptions for low-value imports—an issue that has allowed ultra-cheap products to flood markets unchecked. Governments could level the playing field and support domestic entrepreneurs by encouraging the use of local platforms and ensuring fair taxation.

3. Enhance Consumer Awareness and Loyalty to Local Products

   Consumer behavior plays a pivotal role in determining market outcomes. Unfortunately, many consumers are unaware of the long-term economic consequences of their purchasing decisions. Studies indicate that while low-cost imports provide short-term savings, they often contribute to job displacement and economic stagnation in the long run (Klein & Pettis, 2020). Governments must launch nationwide consumer awareness campaigns to educate the public on the benefits of supporting domestic industries.

   For example, South Korea's "Buy Korea" campaign and Japan's promotion of domestic brands have successfully instilled a sense of national economic responsibility among consumers (The Economist, 2015). Producing economies could shifting consumer preferences away from disposable, low-cost imports and towards more sustainable indigenous alternatives by demonstrating the superior quality, ethical manufacturing standards, and beneficial economic impact of local goods. This effort can be reinforced through labeling initiatives, tax incentives for locally made products, and strategic partnerships with influencers and media to promote local brands.

4. Foster Public-Private Partnerships to Strengthen Supply Chains

The ability of local businesses to withstand global competition hinges on strong, resilient supply chains. However, fragmented production networks, inadequate infrastructure, and limited access to capital often undermine their competitiveness. Governments must step in to facilitate collaboration between the public and private sectors, investing in infrastructure, research, and technology to enhance local manufacturing capabilities.

Countries like Germany and Singapore exemplify how public-private partnerships (PPPs) can drive industrial success. Germany's Mittelstand policy, which nurtures small and medium-sized enterprises (SMEs) through government-backed research and financial support, has allowed domestic firms to remain globally competitive (Berlemann *et al*., 2022). Likewise, Singapore's Smart Nation Initiative fosters collaboration between tech startups, manufacturers, and government agencies to create cutting-edge industrial ecosystems (Aigner *et al*., 2022; WEF, 2023). Moreover, by duplicating such models, producing economies may ensure that local enterprises have the resources, infrastructure, and innovative potential to compete globally. Direct investment in industrial parks, logistics networks, and automation technologies will bolster domestic production, reduce reliance on imports, and create sustainable job opportunities.

Furthermore, the unchecked influx of ultra-cheap imports threatens the very foundation of local economies. Without decisive action, producing nations risk becoming mere consumers in a world where true economic power lies in production. Governments must act swiftly, implementing gradual tariffs, fostering domestic e-commerce, enhancing consumer awareness, and forging strategic public-private partnerships. These measures are not just policy choices—they are imperatives for economic survival, sovereignty, and sustainable prosperity.

Technological Disruptions & E-commerce Innovations

Temu's rapid ascent in the global e-commerce landscape is underpinned by a series of technological innovations that have redefined online retail dynamics. Central to its strategy is the integration of advanced algorithms and artificial intelligence (AI) to personalize the shopping experience, thereby enhancing user engagement and retention. This approach mirrors the practices of industry giants like Amazon, which also leverage AI to analyze consumer behavior and optimize product recommendations. However, Temu differentiates itself by focusing on ultra-low-cost products, a strategy facilitated by its direct-from-manufacturer model, effectively eliminating intermediaries and reducing costs (ECDB, 2024).

In contrast, Amazon's model emphasizes a vast marketplace with rapid fulfillment capabilities, supported by an extensive logistics network. Amazon has invested heavily in automation, exemplified by its robot-enhanced warehouses in Sydney, which streamline operations and expedite delivery times. This infrastructure enables Amazon to offer swift delivery services, a key competitive advantage over emerging platforms like Temu and Shein, which often have longer shipping durations due to their reliance on international shipping channels (Garland, 2023).

The competitive landscape is further complicated by platforms such as Shein, which, like Temu, offer low-cost products but have faced criticism regarding product quality and sustainability. Shein's business model focuses on fast fashion, producing large volumes of low-cost apparel, which has raised concerns about environmental impact and labor practices. This contrasts with Amazon's broader product range and emphasis on seller diversity, including third-party sellers who contribute to the platform's extensive inventory (Datawyze, 2024; Uchańska-Bieniusiewicz & Obłój, 2023).

Meanwhile, Temu's expansion into the U.S. market has been met with regulatory scrutiny, particularly concerning the exploitation of the 'de minimis' rule, which allows low-value parcels to enter the country duty-free. Legislative efforts have been made to close this loophole, aiming to prevent companies from circumventing import taxes, which has significant implications for platforms like Temu that rely on shipping low-cost goods directly to consumers. In response, Temu has considered strategies such as diversifying its supply chain and establishing local warehouses to mitigate potential tariff impacts (McGovern & Xue, 2024).

Furthermore, Amazon's entry into the Australian market in 2017 prompted significant investments in infrastructure, including the development of fulfillment centers equipped with advanced robotics to enhance efficiency. Despite these efforts, Amazon faces competition from low-cost retailers like Temu and Shein, which attract price-sensitive consumers. However, trust remains a critical factor; studies indicate that a higher percentage of Australian consumers trust Amazon over newer entrants, influencing purchasing decisions and market dynamics (Handoyo, 2024; Khamitov *et al*., 2024).

Regulatory & Legal Challenges

The global expansion of e-commerce platforms like Temu and Shein has prompted governments to re-evaluate trade policies and import regulations. In the United States, the suspension of the 'de minimis' rule for Chinese parcels has disrupted business models that depend on duty-free imports of low-value goods. This policy change aims to address trade imbalances and protect domestic industries from unfair competition. Similarly, other countries are considering adjustments to import tax exemptions and tightening customs procedures to prevent the undervaluation of goods and loss of tariff revenues (European Commission, 2023; U.S. Customs and Border Protection, 2024).

Longitudinal Economic Impact

The proliferation of ultra-low-cost e-commerce platforms has both immediate and long-term economic implications. In the short term, consumers benefit from access to affordable products, increasing purchasing power and consumer surplus. However, the long-term effects may include the erosion of local industries unable to compete with the price points offered by platforms like Temu and Shein. This could lead to job losses and a decline in domestic manufacturing capabilities. Moreover, reliance on imported goods may result in trade deficits and increased economic dependency on exporting countries, particularly China (Ghosh, 2025; Porter, 2011).

Sustainability & Ethical Considerations

The business models of Temu and Shein, characterized by the mass production of low-cost, low-quality items, raise significant environmental and ethical concerns. The fast fashion industry is a major contributor to environmental degradation, with substantial waste generated from discarded clothing and significant carbon emissions from production and distribution processes. Additionally, the emphasis on low production costs often correlates with labor practices that may not meet ethical standards, including inadequate wages and poor working conditions. These issues have prompted calls for more sustainable practices and greater corporate social responsibility within the e-commerce sector (Harlem World Magazine, 2025; Niinimäki *et al*., 2020).

Consumer Psychology & Cultural Influences

Consumer behavior in the context of ultra-low-cost e-commerce platforms is influenced by several psychological and cultural factors (Nielsen, 2024). The allure of low prices and the perception of obtaining a bargain can lead to impulsive purchasing decisions, often facilitated by marketing strategies that create a sense of urgency, such as limited-time offers and flash sales. Culturally, there is a growing trend towards value-oriented shopping, where consumers prioritize cost savings over brand loyalty or product longevity. This shift is particularly evident among younger demographics, who are more inclined to experiment with new platforms offering competitive prices (eCommerce Business Hub, 2025; Cano, 2025; Kahneman & Tversky, 2013).

Alternative Business Models & Policy Recommendations

To mitigate the disruptive impact of platforms like Temu and Shein on local economies, several advanced strategies can be considered:

1. Strengthening Local E-commerce Platforms

    Investing in the development and promotion of domestic e-commerce platforms can provide consumers with affordable alternatives while supporting local businesses. This approach includes enhancing digital infrastructure, offering training programs for small and medium-sized enterprises (SMEs), and implementing policies that encourage innovation and competitiveness within the local market.

    A key strategy is promoting local production and sustainability. As consumers become increasingly aware of environmental issues, businesses that offer eco-friendly products made domestically can differentiate themselves from competitors relying on distant, less transparent supply chains (Admetrics, 2025). For example, European e-commerce companies can capitalize on this trend by emphasizing locally produced, sustainable goods, thereby appealing to environmentally conscious consumers.

    Moreover, enhancing user experience and building strong customer relationships are crucial. Established brands can re-evaluate and reinforce their core values, responding to changing consumer needs and setting new standards in the e-commerce market by balancing profitability with social and environmental responsibility

(Swaminathan *et al*., 2018). This approach fosters customer loyalty and creates a competitive edge over platforms like Temu and Shein.

2. Implementing Graduated Tariff Structures

Adjusting import tariffs to reflect the true cost of low-value goods can level the playing field for domestic producers. This strategy may involve revising de minimis thresholds and ensuring that import duties are appropriately applied.

Tariffs serve as a tax on imported goods, intended to limit the volume of foreign imports, protect domestic employment, reduce competition among domestic industries, and increase government revenue (Hergt, 2020). Tariffs allow governments to raise the cost of imported goods, encouraging consumers to buy domestically made things. This strategy can keep new sectors and developing economies from being dominated by established international competitors. However, tariffs can have downsides, including reducing the purchasing power of consumers and potentially leading to higher prices for goods (Furceri *et al*., 2019). Therefore, it is essential to design tariff structures that balance protecting domestic industries and minimizing adverse effects on consumers.

In practice, countries have implemented tariffs to protect domestic industries. For instance, the United States imposed a 25% tariff on steel and aluminum imports to support local industries and address trade imbalances (The White House, 2025). While such measures aim to boost domestic production, they can also lead to increased costs for industries relying on these materials, illustrating the complex impact of tariff policies. Moreover, strengthening local e-commerce platforms and implementing graduated tariff structures are viable strategies to mitigate the disruptive effects of platforms like Temu and Shein. These approaches require careful consideration of local market dynamics, consumer behavior, and the potential economic impact to ensure they effectively support domestic industries while maintaining fair competition and consumer satisfaction.

Conclusion

The disruptive expansion of Temu and similar cross-border e-commerce platforms has redefined global trade dynamics, posing both opportunities and challenges for economies worldwide. While these platforms have democratized access to affordable goods, they have simultaneously exposed vulnerabilities in local industries, exacerbated trade imbalances, and raised concerns about market sustainability. The comparative analysis of non-productive and producing economies underscores the necessity for nuanced regulatory frameworks that balance consumer benefits with domestic economic resilience. Policymakers must take proactive steps to integrate strategic tariffs, strengthen local e-commerce ecosystems, and foster public-private partnerships to safeguard economic sovereignty. In the long run, the resilience of domestic industries will depend on adaptive strategies that encourage local innovation, digital transformation, and sustainable production practices.

Future research should delve deeper into the long-term socio-economic implications of digital trade and explore the intersection between e-commerce expansion and national economic policy. Key areas of investigation should include the role of artificial intelligence in price manipulation, the environmental footprint of global supply chains, and the effectiveness of different protectionist policies across diverse economic contexts. Furthermore, cross-disciplinary studies integrating behavioral economics, international trade law, and industrial policy will provide valuable insights into how governments can balance economic openness with sustainable domestic growth. Moreover, as digital commerce continues to evolve, an evidence-based approach will be crucial in shaping resilient economic strategies that promote fair competition while fostering local enterprise development.

References

Admetrics. (2025, February 15). Customer retention strategies. *Admetrics*. https://www.admetrics.io/en/post/customer-retention-strategies

Aigner, I., Garai-Fodor, M., & Szemere, T. P. (2022, July). Singapore's journey as a digit-all-ized and innovative smart nation toward sustainability. In *2022 IEEE 10th Jubilee International Conference on Computational Cybernetics and Cyber-Medical Systems (ICCC)* (pp. 000259-000264). IEEE.

Ajzen, I. (2011). The Theory of Planned Behavior. *Handbook of Theories of Social Psychology: Volume One*, 438.

Ameziane, A. (2024). The Reality of E-Commerce Development as One of the Most Important Activities of the Digital Economy: A Case Study of Arab Countries. *Le Manager*, *11*(2), 291-311.

Autor, D. H., Dorn, D., & Hanson, G. H. (2016). The China shock: Learning from labor-market adjustment to large changes in trade. *Annual review of economics*, *8*(1), 205-240.

Berlemann, M., Jahn, V., & Lehmann, R. (2022). Is the German Mittelstand more resistant to crises? Empirical evidence from the Great Recession. *Small business economics*, *59*(3), 1169-1195.

Cano, J. (2025, February 15). Temu's meteoric rise in e-commerce. *Cano Management*. https://canopymanagement.com/temu-meteoric-rise-in-e-commerce/

Chu, T. T., Hölscher, J., & McCarthy, D. (2020). The impact of productive and non-productive government expenditure on economic growth: an empirical analysis in high-income versus low-to middle-income economies. *Empirical Economics*, *58*, 2403-2430.

Datawyze. (2024, July 8). Understanding Amazon's extended aisle strategy: Enhancing customer choice and seller opportunities. *Datawyze*. https://datawyze.com/understanding-amazons-extended-aisle-strategy-enhancing-customer-choice-and-seller-opportunities/

ECDB. (2024, October 2). Temu's strategy to compete in the realm of ultra-fast e-commerce. *eCommerceDB*. https://ecommercedb.com/insights/temus-strategy-to-compete-in-the-realm-of-ultra-fast-ecommerce/4439 eCommerce Business Hub. (2025, February 15). Temu statistics. *eCommerce Business Hub*. https://ecombusinesshub.com/temu-statistics/

Ecommerce China Agency. (2023, August 15). Shein-Temu, Chinese eCommerce giants battle abroad. *Ecommerce China Agency*. https://ecommercechinaagency.com/shein-temu-chinese-ecommerce-giants-battle-abroad/

European Commission. (2023, November). *Guidance document on customs formalities on entry and import into the EU*. European Commission. https://taxation-customs.ec.europa.eu/system/files/2023-11/Guidance%20document%20on%20customs%20formalities%20on%20Entry%20and%20Import%20into%20the%20EU.pdf

Financial Times. (2024, September 16). *Temu's global expansion now looks fraught with difficulty*. https://www.ft.com/content/ea2bf29b-dae9-4509-bf62-08805dc4560e

Forbes Business Council. (2021, May 27). The e-commerce landscape: What has changed a year into the pandemic? *Forbes*. https://www.forbes.com/councils/forbesbusinesscouncil/2021/05/27/the-e-commerce-landscape-what-has-changed-a-year-into-the-pandemic/

Furceri, D., Hannan, S. A., Ostry, J. D., & Rose, A. K. (2019). *Macroeconomic consequences of tariffs* (IMF Working Paper No. WP/19/9). International Monetary Fund. https://www.imf.org/-/media/Files/Publications/WP/2019/wp1909.ashx

Garland, M. (2023, December 20). Amazon's logistics, delivery services expanded beyond its website in 2023. *Supply Chain Dive*. https://www.supplychaindive.com/news/amazon-logistics-delivery-services-expanded-2023-roundup/701643/

Ghosh, N. (2025, February 15). De minimis exception: Trump-era tariff loophole benefits Shein and Temu. *Newsweek*. https://www.newsweek.com/de-minimis-exception-trump-tariff-shein-temu-2025483

Giroud, A. (2024). World Investment Report 2023: Investing in sustainable energy for all: United Nations Conference on Trade and Development, Geneva and New York, 2023, 205 pp.

Hamilton, A. (1791). Report on the Subject of Manufactures. *Syrett HC et al.(1966), The Papers of Alexander Hamilton*, *10*.

Handoyo, S. (2024). Purchasing in the digital age: A meta-analytical perspective on trust, risk, security, and e-WOM in e-commerce. *Heliyon*, *10*(8).

Harlem World Magazine. (2025, February 15). Temu promotes its four core values: Empowerment, diversity and inclusion, integrity, and social responsibility. *Harlem World Magazine*. https://www.harlemworldmagazine.com/temu-promotes-its-four-core-values-empowerment-diversity-and-inclusion-integrity-and-social-responsibility/

Hergt, B. (2020, October). The effects of tariff rates on the U.S. economy: What the Producer Price Index tells us. *Beyond the Numbers: Prices & Spending*, 9(13). U.S. Bureau of Labor Statistics. https://www.bls.gov/opub/btn/volume-9/the-effects-of-tarifff-rates-on-the-u-s-economy-what-the-producer-price-index-tells-us.htm

International Labour Organization. (2024). *World Employment and Social Outlook: Trends 2024*. ILO. https://www.ilo.org/publications/flagship-reports/world-employment-and-social-outlook-trends-2024

Kahneman, D., & Tversky, A. (2013). Prospect theory: An analysis of decision under risk. In *Handbook of the fundamentals of financial decision making: Part I* (pp. 99-127).

Khamitov, M., Rajavi, K., Huang, D. W., & Hong, Y. (2024). Consumer trust: Meta-analysis of 50 years of empirical research. *Journal of Consumer Research*, *51*(1), 7-18.

Kim, H., & Heo, U. (2017). Comparative analysis of economic development in South Korea and Taiwan: Lessons for other developing countries. *Asian Perspective*, *41*(1), 17-41.

Klein, M. C., & Pettis, M. (2020). *Trade wars are class wars: How rising inequality distorts the global economy and threatens international peace*. Yale University Press.

Laudon, K. C., & Traver, C. G. (2020). *E-commerce 2019: Business, technology, society*. Pearson.

Malhotra, C. (2024). Digital India: Past, Present and Future. In *Indien im 21. Jahrhundert– Auf dem Weg zur postindustriellen Ökonomie: India in the 21st Century–On its way to a post-industrial economy* (pp. 325-345). Wiesbaden: Springer Fachmedien Wiesbaden.

McGovern, A., & Xue, M. (2024, January 30). The rise of Temu: Their supply chain competitive advantage. *Pondview Consulting*. https://pondviewconsulting.com/the-rise-of-temu-their-supply-chain-competitive-advantage/

McKinsey & Company. (2022, September 7). How to win in the Gulf's dynamic consumer and retail sectors. *McKinsey & Company*. https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/how-to-win-in-the-gulfs-dynamic-consumer-and-retail-sectors

Nguyen, C. Q., Nguyen, A. M. T., & Tran, P. (2024). Assessing the critical determinants of cross-border E-commerce adoption intention in Vietnamese small and medium-sized enterprises: PLS-SEM algorithm approach. *Journal of Open Innovation: Technology, Market, and Complexity*, *10*(1), 100257.

Nguyen, P., & Vu, K. (2024, December 5). Temu told to suspend Vietnam operations. *Yahoo Finance*. https://finance.yahoo.com/news/temu-told-suspend-vietnam-operations-022053659.html

Nielsen, S. B. (2024). The Evaluation Industry and Emerging Technologies. *Artificial Intelligence and Evaluation*, 266-286.

Niinimäki, K., Peters, G., Dahlbo, H., Perry, P., Rissanen, T., & Gwilt, A. (2020). The environmental price of fast fashion. *Nature Reviews Earth & Environment*, *1*(4), 189-200.

Park, C. Y. (2024). ASEAN economic integration: Addressing challenges and embracing opportunities. *Asian Economic Policy Review*, *19*(2), 172-193.

Porter, M. E. (2011). *Competitive advantage of nations: creating and sustaining superior performance*. simon and schuster.

Republic World. (2025, February 5). Southeast Asia cracks down on Chinese e-commerce giants Temu and Shein amid SME concerns. *Republic World*. https://www.republicworld.com/world-news/southeast-asia-cracks-down-on-chinese-e-commerce-giants-temu-and-shein-amid-sme-concerns

Reuters. (2024, October 11). Indonesia asks Apple, Google to block China's Temu to protect small merchants. *The Business Times*. https://www.businesstimes.com.sg/international/indonesia-asks-apple-google-block-chinas-temu-protect-small-merchants

Reuters. (2025, February 5). Temu, Shein targeted as EU cracks down on unsafe e-commerce imports. *Reuters*. https://www.reuters.com/business/retail-consumer/temu-shein-targeted-eu-cracks-down-unsafe-ecommerce-imports-2025-02-05/

Ricardo, D. (1821). *On the principles of political economy*. London: J. Murray.

Rodrik, D. (2018). *New technologies, global value chains, and developing economies* (No. w25164). National Bureau of Economic Research.

Saied, M. (2024, February 13). Temu UAE: What you should know? *Shopper Hand*. https://shopperhand.com/temu-uae/

Scott, R. E., & Mokhiber, Z. (2020, January 30). Growing China trade deficit cost 3.7 million American jobs between 2001 and 2018. *Economic Policy Institute*. https://www.epi.org/publication/growing-china-trade-deficits-costs-us-jobs/

Song, D., Jumbulingam, K., Fadel, H., & Sumarningsih, N. M. (2022). The impact of e-commerce on small and medium-sized enterprises (SMEs) in Malaysia. *Review of Management, Accounting, and Business Studies*, *3*(2), 101-111.

Swaminathan, S., Anderson, R., & Song, L. (2018). Building loyalty in e-commerce: Impact of business and customer characteristics. *Journal of Marketing Channels*, *25*(1-2), 22-35.

The Economist. (2015, January 15). Won over. *The Economist*. https://www.economist.com/business/2015/01/15/won-over

The White House. (2025, February 11). Fact sheet: President Donald J. Trump restores Section 232 tariffs. *The White House*. https://www.whitehouse.gov/fact-sheets/2025/02/fact-sheet-president-donald-j-trump-restores-section-232-tariffs/

U.S. Customs and Border Protection. (2024, June 12). FY 2023 CBP trade fact sheet. *U.S. Customs and Border Protection*. https://www.cbp.gov/document/annual-report/fy-2023-cbp-trade-fact-sheet

Uchańska-Bieniusiewicz, A., & Obłój, K. (2023). Disrupting fast fashion: A case study of Shein's innovative business model. *International Entrepreneurship Review*, *9*(3), 47-59.

United Nations Conference on Trade and Development. (2023). *Key Statistics and Trends in International Trade 2023*. UNCTAD. https://unctad.org/publication/key-statistics-and-trends-international-trade-2023

United Nations Conference on Trade and Development. (2023). *World Investment Report 2023: Investing in sustainable energy for all*. UNCTAD. https://unctad.org/publication/world-investment-report-2023

WeWe Magazine. (2025, January 1). Temu: A deep dive into its history and financial growth. *WeWe Magazine*. https://wewemagazine.com/temu-a-deep-dive-into-its-history-and-financial-growth/

WIRED Middle East. (2024, October 7). The meteoric rise of Temu and Pinduoduo—and what might finally slow them down. *WIRED*. https://wired.me/business/the-meteoric-rise-of-temu-and-pinduoduo-and-what-might-finally-slow-them-down/

World Bank. (2023). *Global Economic Prospects, January 2023*. World Bank Open Knowledge Repository. https://openknowledge.worldbank.org/entities/publication/5e00d62a-f0c0-462c-a551-4360d22cb705/full

World Economic Forum. (2023, January 16). How to stimulate and sustain supply chain resilience. *World Economic Forum*. https://www.weforum.org/stories/2023/01/how-to-stimulate-and-sustain-supply-chain-resilience-davos-2023/

World Trade Organization. (2023). *World Trade Report 2023: Re-globalization for a secure, inclusive and sustainable future*. United Nations Digital Library. https://digitallibrary.un.org/record/4038640/files/1398183_EN.pdf