ETHICAL PROBLEMS OF INTERNATIONAL ELECTRONIC COMMERCE AND COUNTERMEASURES

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ABSTRACT

With the development of globalization and Internet, international electronic commerce develops rapidly in recent years. However, there are a lot of unethical problems in its process of rapid development. This paper analyzes unethical behaviors from the aspects of seller, buyer, tripartite-to-pay platform and logistics. Then it studies the reasons of these unethical problems from the perspectives of information asymmetry, egoism, the establishment of trust mechanism, legislation and the network itself. Finally, it puts forward some suggestions on the moral construction, establishment of relative laws, international cooperation and security system.

Keywords: International e-commerce, ethic problems, information asymmetry, egoism.

INTRODUCTION

Definition of International Electronic Commerce

There are kinds of definitions of e-commerce, but the essence characteristics are similar. From Wikipedia, the definition is that “electronic commerce, commonly known as e-commerce or ecommerce, is trading in products or services using computer networks, such as the Internet. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web for at least one part of the transaction's life cycle, although it may also use other technologies such as e-mail”. In the book e-Commerce written by Jeffrey F. Rayport and Bernard J. Jaworski, the author says that “e-commerce can be formally defined as technology-mediated exchanges between parties (individuals, organizations, or both) as well as the electronically based intra- or inter organizational activities that facilitate such exchanges”.

According to definitions of e-commerce, I sum up the essence characteristics of international electronic commerce in the following three points: a. it is a kind of trade of goods, services or information among different entities with the ability of business activities and needs. b. this trade is beyond customs territory. c. the trade is achieved by the use of computer network, a variety of digital media technology and other electronic ways.

International electronic commerce is a new way of trade beyond customs territory. It happens among different entities with the ability of business activities and needs to break the limits of time and space, improve the efficiency of business activities and reduce transaction costs through the use of computer network, a variety of digital media technology and other
electronic ways to achieve the exchange of goods, services and information. International electronic commerce has been developed rapidly in the world which depends on the Internet and international logistics and has the advantages of low threshold, low cost and short period. It can be mainly divided into four types:

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Development Condition of International E-commerce in the World

In 2012, the market size of international e-commerce in the world exceeds $1000 billion with year-on-year growth of more than 21 percent. From a regional perspective, Europe has become the world's largest international e-commerce market. In 2012, European e-commerce market scale reached 412.6 billion US dollars, accounting for 35.1% of the global market of electronic business. Electronic commerce market of North America area reached 389.5 billion US dollars, accounting for 33.1% of the world. The Asia Pacific region is the third fastest growing e-commerce market and the total transaction volume reached $301.6 billion, accounting for 25.7% of the world. Latin America is the emerging market of electronic commerce, trading volume reached $301.6 billion, accounting for 4.8% of the world. The last is the Middle East and North Africa region, the volume of transactions accounted for 1.3% of the world's. Nelson survey shows that American international e-commerce market is the most popular, followed by the UK, China, Canada, Australia and Germany.

Purpose of the research

This paper tries to study the unethical problems of international electronic commerce from the perspectives of information asymmetry, egoism, the establishment of trust mechanism, legislation and the network itself, and their reasons. On this basis of analysis, it will put forward some suggestions on their moral construction, establishment of relative laws, international cooperation and security system.

LITERATURE REVIEW

Studies on Problems of International Electronic Commerce and Countermeasures

As the international electronic commerce is a relatively new thing, there are not a lot of literatures studying on ethical problems about it. The studies are mainly from the perspectives of technology and legislation. About technology problems, Abhijit Chaudhury (2011) in the book “e-Business and e-Commerce Infrastructure” analyses the network security problems of electronic commerce. He assesses a variety of threats to e-commerce and covers both the physical and logistical aspects of security relevant to the authentication of business transactions. It describes “Security threats include loss, damage, or distortion of data via hackers, risks from viruses, unauthorized access to the system, financial loss to company or customers and breaches of personal privacy”. Efraim Turban (2009) in the book
“Introduction to Electronic Commerce” also cover the major electronic commerce security threats, vulnerabilities and risks and introduce types of fraud on the Internet and how to protect against it. It says in the book “security solutions involve some forms of authentication and verification. Both consumers and merchants need to invest time and effort to authenticate the identity of buyers and sellers. Users can no longer trust Web sites or emails without the extra effort of verifying their authenticity. Likewise, EC retailers cannot trust buyers without authentication processes”. About legislation problems, in the book “Introduction to Electronic Commerce” written by Zhang Runtong and Geng Jiandong(2010), the author introduces the present legal situation of e-commerce at home and abroad and put forward the legal problems of international electronic commerce which includes the form and effectiveness of electronic contract, identity confirmation, electronic payment, network transaction tax and online arbitration. It focuses on legal protection for security transaction and intellectual property and necessity to establish new international e-commerce laws. The lack of relevant laws creates opportunities for unethical behaviors and fails to protect people’s interests effectively.

**Deficiencies of Previous Studies on Problems of International Electronic Commerce and Countermeasures**

Although there are some papers studying on the problems of international electronic commerce, most of them analyze those problems in the aspects of legislation and technology. Few articles specialize in researching the ethical problems. At the mention of the main problems of international e-commerce, people often think of the faultiness of technology and the defective design of hardware and software, which are obvious and clear. In fact, most people are probability unaware that the development of electronic commerce also yields some moral problems. Compared with legislation and the technology problems, moral or ethical problems are more difficult to solve, which will restrict the healthy development of international e-commerce if not handled properly. Ethical problems have become one of the most prominent factors constraining the electronic commerce activities and emerged in each step of the transaction. The main problems are internet fraud, credit default, exploiting loopholes of laws. The associate professor Li Lun of Hunan Normal University analyses the dilemma of electronic commerce from the ethical angel in his paper “Virtue under the Mouse: Ethical Connotations of Electronic Commerce”. He elaborates the moral and ethical problems of electronic commerce such as network information pollution, network virus, information expansion and puts forward to eliminate the "information worship" and "technology-oriented" but has not analyzed the reasons and given reasonable suggestions for resolution. Besides, most studies on electronic commerce are confined to domestic issues. International electronic commerce involves more than one country and the relevant problems will become more complicated. In addition, most studies just present the phenomenon easily and have not analyzed according to some theories or models to identify the reasons for the deep-seated. In all, the current theoretical results and views about the ethical problems of international e-commerce are scattered and basically on the superficial level exploring some problems on the surface, which has not strong practicability.

**Meanings of Study**

E-commerce as a new business mode develops rapidly with the advantages of low cost, fast speed, large amount of information, wide spread. But there are a lot of moral problems coming with its development, which include all aspects of the transaction such as
sellers, consumers, logistics, and payment platform and have become important factors restricting its development. Compared with the traditional mode of foreign trade, international e-commerce is different in the way of transportation of goods, payment, settlement and other aspects. Besides there are also differences in culture, politic and law in different countries, which make the transaction environment more complicated. In face of the unmanageable internet market, measures fitting for the outdated field of technology and science have been ineffective, existing laws and regulations could not determine good or evil, and many relevant management government policies do not bring positive and effective results. We have to admit that in the high-speed developing information age, various problems exist, which has rung alarm bells time and time again. FICO expects that annual bank card on-line payment fraud has brought the losses of about $360000000 to $420000000 to the Asia Pacific Financial Institutions and this kind of loss still has an annual growth of 20% to 25%. More than 90% of the respondents believe that compared with domestic online shopping, international online shopping has more risks and if you buy fake and shoddy products, safeguarding rights will be more difficult. For transaction security problem, the survey shows, more than half of the surveyed businessmen worry about fraud when selling goods to overseas customers, 27% worry about their payment systems is not safe enough in cross-border transactions. In addition, 25% of the businessmen believe that the risk of overseas buyers refusing to pay will increase. Many cases people cannot find evidence after being cheated and get no compensation. Such problems need to be solved properly. Tangible technical problems can be solved gradually through professional talents’ research and explore, but the intangible moral or ethical problems only can be settled through the joint efforts of the whole society. The topic on ethical problems of international electronic commerce and countermeasures is relative new in current academic areas. So it is of great research value and deserves study systematically and deeply. This paper puts forward some feasible countermeasures through analysis the ethical problems and reasons of international electronic commerce. Only if the full grasp of existing problems, we can find the solutions, which is the application value of this topic.

THE MAIN ETHICAL PROBLEMS OF INTERNATIONAL E-COMMERCE

Business Ethical Problems of Sellers

The seller's unethical behaviors mainly include evading customs duties and supervision, the sale of fake products or information, not fulfill their commitments. Many overseas purchasing channels are currently in a "gray area". Some businessmen mix commercial packages and civil packages to avoid tax when export and others link to similar tricks to avoid tariffs and sales tax when import. This behavior not only makes the government suffer, but also belongs to the acts of unfair competition, which means that the low cost because of tax evasion is unfair to peers. Some sellers exploit product's reputation and consumers’ psychology of representativeness heuristic exaggerating or false publicity of goods. For example, a seller pretends his own ordinary watches to be Swiss watches and describe them with the same quality and functions as Swiss watches’ to sell at high price, which not only deceives consumers and makes them have a loss, but also violates the reputation of the brand. Some sellers will no longer perform services they promised such as timely delivery, warranty and return after selling the goods, making consumers suffer a lot.

Business Ethical Problems of Buyers

The buyer's unethical behaviors mainly include identity fraud, malicious return, refusing to sign the goods, malicious bad review, complaints, damaging the sellers’ reputation. Some
buyers use false identity information registering accounts to swindle commodities. In order to increase the sales some sellers take advantage of many kinds of promotion ways such as unconditional return goods and refund within seven days. Some consumers will seize the point and use their rights to the extreme. For example, a person needs a dress for a banquet. As she just needs it this time, she may choose to buy online and return it within the promised time limit for the reasons of unqualified or inappropriate size and color. In this way, she will not spend a penny wearing the high-grade dress for the banquet. This behavior makes sellers delay selling clothes in time and waste freight charges. Some buyers purchase goods and then do not want them. They refuse to sign the delivery, so the logistics company can only return the goods to shipper, through which the buyers save high cross-border logistics cost. Some consumers have a prejudice against a certain country because of language barrier, competitive relations or political reasons and accuse their products of inferior quality, bad service. They give bad review and complaints to hurt the sellers’ business reputation deliberately. For example, some Chinese consumers boycott Japanese goods and support goods made in China due to historical and political reasons, which is unfair for Japanese upright businessmen.

**Business Ethical Problems of the Third Party Payment**

The unethical behaviors of the third party payment are mainly lack of fairness, circumventing legal regulations, fraud, money laundering and disclosure of personal even national information. Data shows that 80% of consumers use PayPal as a cross-border payment means and 90% worry about its safety especially Chinese and Brazilian. Take China as an example, due to the development of Chinese third party payment platform lags behind its cross-border electronic commerce, tens of billions of dollars a year in the cross-border third party payment market is mainly monopolized by American Papal Payment Company. Therefore, a large number of cross-border electronic commerce enterprises open an account overseas to receive payment and flow back home through individual partition settlement. Foreign trade payment companies not only charge Chinese enterprises high fees and manage toughly, but also generally favor foreign cardholders in the event of disputes which are injustice for Chinese international electronic commerce enterprises. When cross-border e-commerce merchants collect payment through personal foreign exchange savings account, some merchants will circumvent management regulations of personal foreign exchange settlement account to obtain illegal gains through declaring income from selling goods under the project of employee compensation and alimony because no specific document is needed through the third party payment platform. As the third party payment platform lacks a strong protection for personal information, some third party payment companies are driven by interest to leakage consumers registered information even national information. The third party payment platform plays a role of fund reservoir, normally the buyer first pay money to the third party and third party institutions put money into the seller's account after buyers confirming the receipt. So there will be a period of precipitation funds and some third party payment institutions engage in many kinds of illegal activities such as money laundering, network gambling.

**Business Ethical Problems of International Logistics**

Ethical issues of international logistics are mainly about the goods damage or loss, low efficiency, raising the freight and relationism. Some logistics companies for their own convenience in transiting items are not in accordance with the class and identification of the
goods handling with care, coupled with the long distance of cross-border logistics, the goods have been greatly damaged when consumers get them. Due to the high freight costs for return and longtime of transportation, consumers only can consider this with unlucky. Many people have the bad experiences of losing packages. A parcel out, you find clearance information from Chinese customs. Then no information, after a few months you call up to ask where is the package, only to find that it is not served. If you want to track the packet, you need to use the registration, which will increase the price on the basis of the original registration fee. Sometimes logistics companies do not send goods to customers according to time they promised without any compensation because of their own management problems. Customers pay a high price for faster logistics. However the results are the same as low-priced slow logistics. For example, delivery agents all promise the delivery time of 15 to 30 days for Chinese postal parcel but almost 80% of the packages are more than 30 days. If during the Christmas season, the time will likely be extended indefinitely. As the current development of cross-border logistics is still not perfect, some logistics companies take advantage of their monopoly position to drive up the freight price. For example, the original price of Chinese postal parcel is 50 yeon per kilometer and now the price has rose up to 90 yeon. Some logistics companies prefer to transport goods of merchants with a good relationship or having larger scale of cargo business. Some even ally with sellers to evade customs duties, contraband transportation or deliberately delay transit time to damage other competitive sellers’ reputation.

**REASONS OF UNETHICAL BEHAVIORS**

**Information Asymmetry and Lemon Problem**

The problem of "lemon" is put forward by Akedof in 1970, which is aimed at the crowding out effect produced by “old cars” to high quality new cars. The loss market efficiency caused by information asymmetry and people’s expectations often has malignant conduction effect. It is that the products in low quality instead of being expelled through the price mechanism, but will make such a kind of quality decline become a trend. As the internet transaction is virtual and consumers can know about products only through the seller’s descriptions and image information. Besides, goods are easy to copy and not easy to be perceived in the electronic commerce, so a lot of inferior goods pretend to be high quality products to get a price advantage. When consumers buy goods, they will find the same kind of goods have different prices and most people will choose the product with centered price, which will push the better quality goods of higher price above centered out of the market. Keeping the cycle going on, the price will become lower and lower and encourage more businessmen to sell shoddy goods. In addition, as different consumers’ expectations and requirements for the same product are different, evaluations have very strong subjectivity, so that potential users are not likely to obtain objective information about product quality, which aggravates the information asymmetry.

**Egoism**

People are born in the pursuit of self-interest "egoism" and have potential factors not hesitating to take any cunning measures. The various unethical behaviors in the international electronic commerce are driven by the interest. Marx says in Das Kapital: "Once having adequate profit, capitalist is bold. As long as there is 10% profits, it will ensure that everywhere is used, 20% profits, on the active, 50% profits, taking the risk, 100% profits, daring to trample the law, 300% profits, daring to commit any crimes, even at the risk
of being hanged”. The commercial profit is powerful enough to drive people to stomp on anything.

Difficult to Establish Trust Mechanism

In the international e-commerce transaction, the seller and buyer know little about the detailed information of the other party, which makes people naturally produce the consciousness of risk in the transaction process, along with different politics, cultures, languages, religions and moral values in different countries, further increasing the distance between people. Traditional trust mechanism has not very strong effect for cross-border e-commerce activities. Take prisoner’s dilemma as an example, under the environment of cross-border electronic commerce, the game conditions of prisoner's dilemma will change, which have an important impact on the results. In the traditional business conditions, game can be repeatedly and cooperation is the best choice considering their interests. However, under the environment of e-commerce, infinite assumption does not hold the game because of the anonymous traders and serious information asymmetry. In this case, for each person, no cooperation is an optimal strategy. Another point different from traditional business is that consumers will have more choices as shopping online can breakthrough time and space limitation. Besides, there are high similarities among various outlets and it is hard for consumers to distinguish. For cross-border e-commerce enterprises, the majority of are short-term, which means the consumers may not have any relation with sellers after this transaction. So it is more difficult to establish and enhance customer loyalty and motivation of fraud increases.

Imperfect Legislation

As the electronic commerce develops so rapidly that the relevant laws cannot fully meet the current needs, which leads to the formation of some grey areas and reduce difficulty of immoral behaviors. Immoral behaviors cannot be punished because of the lack of legal basis, which reduces the cost of fraud behavior and promotes this behavior intensified. E-commerce is based on the Internet. It can be traded in the global scope and not subject to geographical constraints. There is no uniform standard in dealing with cross-border transaction disputes as each country's legislation is different. Coupled with the responsibility is not clear. So legitimate rights and interests cannot be protected by law very effectively making international e-commerce participants lose the motivation and consciousness of integrity and enthusiasm for the credit behavior, eventually leading to the moral issues in electronic commerce activities become more and more serious.

Difficult Supervision of the Internet

The moral relationship must be based on a certain basis of social relationship and not any relationship among people can produce morality. But this principle is broken by the virtual internet. In the realistic society, people's behavior is affected by many moral and legal constraints. Supervision of all kinds of organizations and masses can control and regulate people’s activities better. But in e-commerce activities, people communicate through the mode of man-machine conversation. The whole process is full virtualization and both parties carry out the transaction on the internet from the beginning to the end. A famous cartoon that appeared in the New Yorker magazine illustrates the inherent anonymity of the web. In the picture, a dog sits on the seat clicking the keyboard which means on the internet, nobody knows you are a
dog. Virtualization of the internet brings about many unstable factors. After all, people have been doing business with their neighbors not strangers for thousands of years. Both transaction parties can conceal relevant information or provide untrue descriptions by technical means. If the traders cannot be able to stick to the moral bottom line, they are very likely to do unethical things that they dare not to do in real society. In addition, immoral behaviors can easily be exposed and condemned in the real life. However, in electronic commerce as fast flow of information and disguise of the trade make it difficult for effective supervision, unethical behaviors are difficult to be tracked. Even if sometimes unethical behaviors are found out, there are low possibilities to punish them effectively because of the difficulty of extracting evidence.

POSSIBLE SOLUTIONS
Strengthen the Moral Construction and Increase the Cost of Losing Credit

In international electronic commerce, the main reason for ethical problem is decline of morality. Credibility is the basic guarantee of international electronic commerce and moral construction can guide and encourage people’s honest and trustworthy behaviors. As different economic conditions, cultures and religions in different countries, their moral standards and punishments for discrepant behaviors are different. In general, the developing countries due to focus on economic development, their construction of honesty and credit have a gap with developed countries. Social credit mechanism of developed countries led by the United States is more perfect. The government restrains a person’s behavior through the personal integral of honesty and the scores’ level will affect their employment and other social activities. However, some developing countries have lighter punishment for dishonest behaviors and even under the political asylum to escape legal sanction, which abet unethical social atmosphere spreading and increase the difficulty to carry out electronic commerce with other countries. Therefore, in order to develop international electronic commerce better and improve the good image of a country, all countries need to strengthen moral construction and establish a unified credit system. Besides, the government should reward those who abide by the principle of good faith and punish those who conduct immoral behaviors accordingly.

Improve Relevant Laws and Establish International Unified Rules

Generally speaking, laws and regulations about international electronic commerce are hysteretic. Not only have developing countries, developed countries also not completely solved this problem. According to report, a lot of American states complain about the electronic commerce making them lose tax revenue of billions of dollars. For the government, the electronic trade has become the tax "funnel". For consumers, rights, interests and the security of online shopping cannot be guaranteed. For producers, fraud is ubiquitous and reputation cannot be guaranteed. The legal issues of intellectual property, electronic authentication and payment need relevant departments to study seriously and overcome one by one. International electronic commerce makes the legal construction of e-commerce in one country should not only consider the domestic environment, but also keep synchronous with the global laws of electronic commerce. The existing legal framework of electronic commerce lacks of harmony, which leaves space to different countries to protect their consumers’ rights and interests. For example, European countries of different legal and regulatory systems not only result in greater cost to the retailer's commitment, but also destroy consumers’ confidence in international electronic commerce. Besides, the diversity of European legislation hinder the further development of International Electronic Commerce.
At present, there is a series of international uniform rules like UNCITRAL model law on electronic commerce in the world, but it cannot constitute the direct and effective international legal norms and just play a reference role. Therefore, countries having international e-commerce should communicate each other to adjust their own laws and establish international unified rules.

**Strengthen International Cooperation**

Huge target customers of international electronic commerce group are overseas and the enterprises also meet some practical problems in cross-border transaction process, such as the Russian customs clearance time is too long, often losing goods etc. States commerce department had better actively promote the research and formulation of cross-border electronic commerce rules with relevant countries, including management systems and standards about customs clearance service, inspection and quarantine supervision mode of mail or express, safety supervision of product quality and establish the international cooperation to create the necessary conditions for domestic enterprises to carry out international electronic commerce. International e-commerce transactions need supervision and cooperation beyond regions, cultures, systems and fields among different countries to build more service systems, simplify transaction procedures and improve the efficiency.

**Improve the Technical Level and Security System**

At present, the information technology changes rapidly, and the more developed of technology, the higher requirements for safety of the electronic commerce. One of the most important factors restricting the development of electronic commerce is that the level of technology guaranteeing safety lags behind the demand in reality. In e-commerce activities, the moral problems manifest as security issues in the technology. Electronic commerce is realized by using the Internet which depends on a variety of infrastructures and standards of the internet. Therefore, the safe environment of electronic commerce transaction must rely on the security technology of computer network. Now, many criminals use viruses, hackers and other means to attack computer systems. It can be an easy job to make individuals, enterprises even the country suffer a huge loses. A lot of news about stolen, exposure, trafficking of information make people cannot help but worry about safety of electronic commerce. Only by improving the technical level and the security system, can the international electronic commerce have probability to develop smoothly.

**CONCLUSION**

International Electronic Commerce begins a new era of online trade without borders in the world, which is a new form of business on the basis of progress in science and advanced technology. New things may lead to many problems in the process of development, so is the electronic commerce. While it is changing people's life and bringing some benefits and convenience, a lot of ethical problems also appear, such as business ethical problems of sellers, buyers, the third party, and international logistics, etc. It thus suggests that the countermeasures such as strengthen the moral construction and increase the cost of losing credit, improve relevant laws and establish international unified rules, strengthen international cooperation, etc. should be taken so as to overcome these problems. But of course, solving these problems is an inevitable process of long-term, continuous improvement and innovation, which requires a comprehensive cooperation
among countries and individuals. In general, the prospect is bright and under the active
guidance of the government and people’s common efforts, international e-commerce will
achieve leapfrog development.

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