

ESTABLISHING CYBER-RULES FOR E-COMMERCE

Byoung-Gyu Yu
(bkyoo@hri.co.kr)

Why is it so urgent to make cyber-rules?

The need for cyber-rules has become more urgent with the expansion of e-commerce and advances in telecommunication technology.

Cyber-rules refer to regulations, laws and systems that regulate global cyber-trade thorough the Internet. Recently, the need for cyber-rules has become more urgent with the expansion of e-commerce due to the drastic increase of Internet users and advances in telecommunication technology. More specifically, one can list five reasons why cyber-rules are becoming necessary.

First, the explosion of e-commerce participants has raised some difficult and controversial issues such as consumer protection, treatment of questionable content, ensuring security, and dispute mediation.

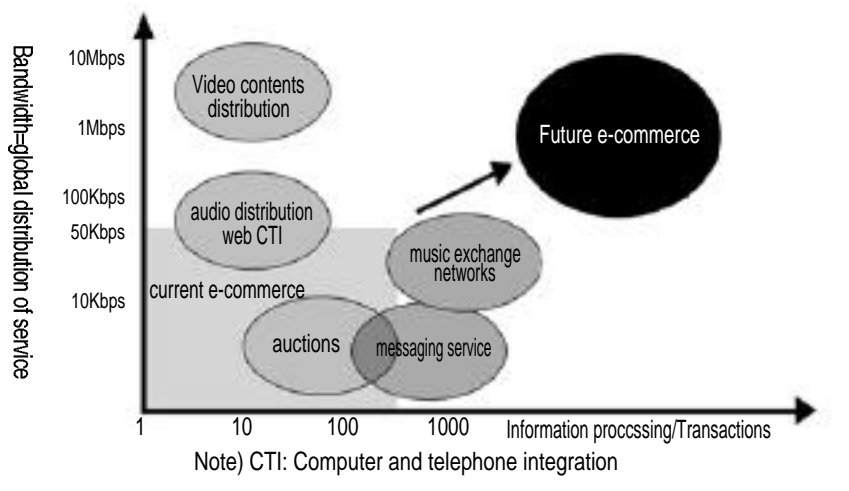
Second, the range of e-business has expanded due to the introduction of broadband technology. Due to advances in telecommunication technology, various new service areas such as music and video have been created. Even though this is positive for network businesses, it also causes serious problems for intellectual property rights. A good example is the copyright controversy regarding music exchange networks such as Napster.

Third, new resources have appeared. With the arrival of new resources such as domain names and business models, establishing rules for these resources has become a very urgent task. Advanced countries like the US have made efforts to strengthen their competitive advantage in cyberspace by patenting business models.

The influence of non-governmental organizations in the electronic realm has become stronger with the increasing availability of IT technology

Fourth, globalization is continually expanding in size and influence. Multinational corporations have flourished worldwide since the early 1990s thanks to expansion of free trade through the WTO and the development of telecommunication networks. Multinational corporations have tried to standardize cyber-rules among diverse countries. Fifth, the influence of non-governmental organizations in the electronic realm has become stronger with the increasing availability of IT technology to the public.

Figure 1. Development of Cyber Market



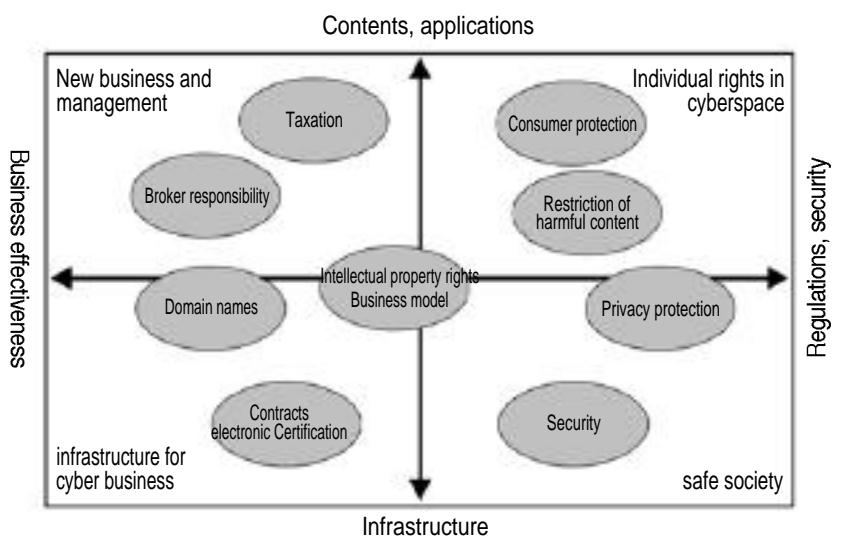
Source: Korea Chamber of Commerce & Industry, Survey of Attitudes of Foreign Investing Companies, February 2001.

Priority areas for cyber-rules

There are two general categories for cyber-rules. The first is for rules that support infrastructure for e-business or contents and applications. The second is for those that help increase business efficiency or ensure social security. In terms of these two categories, rules are urgently needed in nine major areas: electronic certification, consumer protection, privacy protection, protection of consumers from hackers, taxes and tariffs on e-commerce, intellectual property rights, business models, domain names, and broker responsibilities. Advanced countries such as the US, Europe, and

There are two general categories for cyber-rules.

Figure 2. 9 Major Areas of Cyber Rules



Japan have made every effort to make such cyber-rules. In addition, the UN and OECD have suggested guidelines in establishing cyber-rules for many countries.

The Case of Korea and Future Tasks

Recently, the Korean government has made every effort to establish cyber-rules.

Recently, the Korean government has made every effort to establish cyber-rules. To activate electronic commerce, the Korean government is currently establishing basic rules in areas such as electronic certification, consumer protection, privacy protection, and protection of intellectual property rights. Specifically, the government plans to amend the Basic Law for Electronic Trade which was passed two years ago in 1999.

The current amendment focuses on invigorating corporate e-commerce. The most notable thing in the amendment is its rules for protection of business secrets. This rule decrees punishments for releasing business secrets without permission. The purpose of this rule is to protect consumer privacy. Recently, cases of hacking have increased in Korea. According to a report by the Korea Information Security Agency, the number of hacking cases in Korea has increased over the years, with 156 cases in 1998, 573 cases in 1999, and 1,934 cases in 2000. It is expected that the number of hacking cases will fall if the government establishes reasonable cyber-rules.

The Korean government plans to strengthen protection for e-commerce consumers. For example, the new amendment states that corporate information should be offered to consumers in the early stages of a transaction and fair agreements should be provided. Furthermore, trade records should be kept for a certain period after a transaction is made. In addition, conditions and procedures for cancellation and merchandise return should be clearly stated. An improvement has also been made regarding electronic signatures: previously, only electronic signatures in the form of passwords were permitted, but with the recent amendment, fingerprint, voice, and iris recognition can also be used for electronic signatures in e-commerce.

Cyber-rules in the most important areas, such as e-commerce, business models, domain names, and broker responsibilities, are still undeveloped.

The Korean government, like those of advanced countries, has made every effort to establish cyber-rules. However, cyber-rules in the most important areas, such as e-commerce, business models, domain names, and broker responsibilities, are still undeveloped.

In-depth research and discussion is needed for rules in newly emerging areas.

Korea should pay more attention to establishing cyber-rules and systems to further promote electronic business. In-depth research and discussion is needed for rules in newly emerging areas such as taxes and tariffs regarding e-commerce, business models, domain names, and broker responsibilities. The rules and systems regarding cyber economy should be internationally valid since e-commerce occurs between nations as well as domestically. Therefore, Korea should try to present the views of developing countries to the international community by actively participating in international organizations related to cyber-rules. In addition, fostering specialists in cyber-rules is an important task for the Korean government. **VIP**