



E-commerce policy and the global economy: A path to more inclusive development

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Abstract

The advancement of digitalization is gradually transforming the existing structure of the global economy. According to the McKinsey Global Institute, almost all cross-border transactions had a digital component in 2016. This is also reflected by the growing literature on digitalization and E-commerce. Yet, studies specifically focusing on E-commerce policy are scarce compared with other areas in this domain. By going beyond academic articles and including policy documents in our analysis, this study takes stock of the issues as well as the policy recommendations identified in these publications. Our analysis reveals that to promote an inclusive E-commerce participation, it is imperative to design policies that improve countries' formal institutions, facilitate the inclusion of less-developed countries in the E-commerce space, and enhance E-commerce adoption by small- and medium-sized enterprises. We highlight the significance of collaboration between and solidarity among governments and other stakeholders.

Keywords: International e-commerce, policy, global economy, governance system, inclusive e-commerce, sustainable development

Introduction

The advancement of digitalization is increasingly shaping the way firms conduct business within and across borders. Examples include the use of digital technologies to aid their internationalization, enhance their productivity, transform existing or create new business models, and improve interactions with and among consumers; Katsikas *et al.* Therefore, depending on the nature of the industry, firms can use digital technologies to take advantage of new entrepreneurial opportunities and/or link into global value chains.

Types of E-commerce: Through E-commerce, a range of commercial relationships can occur, involving any possible pairing of consumers, businesses or governments. The largest type in terms of monetary transaction is Business-to-Business (B2B) E-commerce, where one business focuses on selling to another. Providing online product and service support, communications of company's products (promotion and advertising), e-procurement of products and services and electronic supply chain management are examples of B2B E-commerce. The other type of E-commerce widely discussed in the literature is Business-to-Consumer (B2C) E-commerce, whereby businesses attempt to sell to individual customers.

E-commerce Public Policy: Public policies are actions that governments undertake to set goal(s) and utilize means or tools to achieve such goal(s). Public policy-making is a dynamic process that is usually the result of a set of interrelated decisions that cumulatively contribute to an outcome. In an international business context, policy refers to a change government intentionally make to shape the decision-making and behavior of firms within the international business domain.

Review Method: We aim to identify and evaluate conceptual and empirical studies on international E-commerce policy and recommend future research avenues. To do so, we adopt a systematic analysis of relevant publications. This approach was deemed appropriate because it is a transparent process to produce a reliable and rigorous overview of extant research on a topic. It also ensures replicability for future research and allows examining and synthesizing relevant works. In our analysis, we follow the principles of transparency, clarity, focus, equality, accessibility, broad coverage, and synthesis, as Thorpe *et al.* suggested. Inspired by previous literature reviews in business and management journals Anastasias *et al.* we selected relevant literature by adopting the following procedure.

Formal Institutions: Generally, institutions can be defined as formal rules (e.g., laws and regulations) and informal constraints (e.g., norms of behavior and self-imposed codes of conduct) that enforce mechanisms that set the "rules of the game" and the boundary conditions under which business occurs. Informal institutions are socially constructed rules that are generally considered to fall beyond government control. Given the aim of this study is to achieve a better understanding of E-commerce policy, our analysis focuses on the relevant aspects of formal institutions.

E-business Risk Mitigation: The Issues The quality of the national institutional environment – the efficiency of the legal system and government policy – can help mitigate the risks associated with founding and operating an E-business and thus plays an important role in facilitating E-commerce adoption and growth. In weak institutional environments, the high regulatory uncertainty associated with inefficient or

non-existent regulations related to data protection, electronic payment, intellectual property rights, and taxation may discourage business participation in E-commerce or lead to grey zones of international trade that enable tax evasion and the circulation of counterfeit products. The protection of intellectual property rights is especially important to E-commerce as it is underpinned by digital technologies. A strong regulatory environment, on the other hand, encourages participation in E-commerce because it provides a transparent legal framework in the area of electronic transactions, privacy and data protection, consumer rights protection as well as cybercrime prevention.

Consumer Protection: The Issues Cross-border E-commerce has helped consumers in various ways. Specifically, it broadens the scope of available products and services and facilitates price comparison. Further, compared with conventional commerce and documents written on paper, verification techniques such as digital signatures can make electronic transactions more reliable. In electronic transactions, buyers usually have a digital record of what they have ordered, which they can use to claim their purchase if required.

Data Protection and Privacy: The Issues Some authors do not draw a clear distinction between consumer protection and personal data and privacy protection. However, while the two concepts overlap, they are not synonymous, and require different policy priorities. Consumer protection requires policies on how to treat personal information. In contrast, to address data protection, policy priorities should focus on how to ensure the safety of online transactions. Therefore, data protection is arguably a distinct concept.

Toward Inclusive E-commerce: ICT, and by extension E-commerce, play an important role in the attainment of the UN Sustainable Development Goals (SDGs) (OECD/WTO 2017). This is evidenced by their strategic integration in targets and indicators under several SDGs; examples include SDG4b and indicator 4.4.1 pertaining to quality education and upskilling related to ICT, SDG5b emphasizing the role of ICT and other enabling technologies in the empowerment of women, and SDG17 (indicators 17.6.1 and 17.8.1) highlighting the importance of global partnerships and clearly outlining the enabling function of ICT.

E-Commerce and SMEs: The Issues As it is relatively easy and cost-efficient to use the internet to conduct business, even the smallest firms can participate in E-commerce. With user-friendly platforms, small firms can set up operations without the full range of traditional in-house resources such as extensive and sophisticated IT equipment, a marketing and sales department, and the expertise to establish and maintain a web presence. E-commerce also helps SMEs by removing the traditional geographic distance barriers and dramatically lowering information acquisition costs. E-commerce appears to offer benefits to firms of all sizes.

E-commerce and Less-Developed Countries: The Issues The availability and quality of ICT infrastructure, as well as the necessary capabilities with respect to the deployment of new technologies, play an important role in E-commerce diffusion within a country.

Future Research: In this section, we outline four areas for future research, with the aim of stimulating discussions on E-commerce policy in international business research.

National E-commerce Readiness: A natural first step toward formulating an inclusive and effective national E-commerce policy is assessing a country's E-commerce readiness. Such assessments allow policy-makers to gain an in-depth understanding of national needs, strengths, and weaknesses; accordingly, they can identify opportunities and challenges in promoting and developing E-commerce and decide where improvement is needed and what supportive regulations can be introduced.

E-commerce Tax Policy: Tax policy challenges are now at the top of the global agenda, particularly in regards to E-commerce, where new business models include intangible assets and less visible forms of value creation. Generally, the digital economy is imposing challenges concerning the current international taxation systems, as it is not fully compatible with the tax concept that allocates jurisdictional tax claims over profit for firms based on physical presence. E-commerce Policy and the Natural Environment

The urgency of the need to address climate and environmental sustainability issues is increasingly recognized in policy circles as well as in scholarly publications.

International E-commerce Policy and Micro, Small, and Medium-sized Enterprises

Although some of the reviewed publications focus on SMEs in relation to E-commerce policy, the implications of size differences across this very diverse group of firms need more attention. To date these differences are not – or only to a limited extent – taken into account. For example, Kurnia *et al.* (2015) regard SMEs as enterprises with fewer than 50 full-time employees, while Hashim (2011) uses an employment range of 10–250 employees to define SMEs.

Conclusion: This study aimed to review the academic and policy literature to take stock of policy issues and recommendations in the domain of cross-border E-commerce. The findings highlight the importance of international harmonization; not just in terms of policies related to consumer protection, data protection and the mitigation of E-business risks, but also with respect to the availability and quality of digital and physical infrastructure as well as support services that foster and enable consumer and business participation. These are important factors that need to be in place if the SDGs relying on digital technologies are to be achieved including the bridging of the still prevalent digital divide.

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