

Chapter XII

Consumer Protection in Cross-Border E-Commerce Markets

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ABSTRACT

Due to the development of the Internet, global e-commerce markets are growing greatly. From the viewpoint of consumers, cross-border transactions involve some difficulties in obtaining redress from problematic businesses. In e-commerce markets, consumers have also experienced other kinds of difficulty. To increase consumer protection in global e-commerce markets, various attempts have been made by the private and public sectors. This chapter gives an overview of current attempts, and considers the possibility of future methods to achieve effective consumer protection in cross-border e-commerce markets.

INTRODUCTION

The development of the Internet has made radical changes in the market, by creating an e-commerce market. It enabled users to find goods or services easily and purchase them at any time without physically going to stores. When the e-commerce market started growing,¹ problems peculiar to the e-commerce market had been already recognized (OECD, 1999²).

The issues in cross-border transactions have been historically discussed.³ However, in the past discussions, these issues were discussed in the context of transactions between business to business, that is, B2B transactions.⁴

The Internet by its nature has no borders; therefore, the e-commerce market naturally grew into the global market. In consumer transactions, commonly discussed are different from those in B2B transactions, because time and money

consumers can spend to resolve the issue are generally more limited than the party in B2B transactions.

This chapter will analyze and review the peculiar nature of B2C transactions in the cross-border e-commerce market.

OVERVIEW OF THE CURRENT CONDITIONS IN E-COMMERCE MARKET

The Growth of Cross-Border E-Commerce Markets

An e-commerce market is rapidly growing these days.⁵ Because of the global nature of the Internet, cross-border transactions are growing as well. Accordingly, the number of complaints from consumers, related to cross-border transactions has increased. According to OCED statistics (OECD, 2006)⁶, the U.S. Federal Trade Commission received 64,797 Cross-Border Complaints in 2004, and 86,390 in 2005. The statistics of the U.K. European Consumer Centre Cross Border Queries also showed the following figures:⁷

Year 2002	291
Year 2003	492
Year 2004	776
Year 2005	1887

When the market is growing, troubles in the related transactions are also increasing. Have such troubles been effectively resolved in cross-border e-commerce market?

WHAT IS PECULIAR TO CROSS-BORDER E-COMMERCE MARKETS

It is essential to review the peculiar natures of cross border e-commerce markets in order to consider how to establish effective consumer protection systems there.

Distance (Not Face to Face)

In the e-commerce market, consumers do not purchase the goods or services on the premises of the sellers. The transactions are generally made over the Internet through commercial Web sites operated by businesses. It allows consumers to just sit before their computers, click on the order buttons, and wait for the goods to be delivered. A consumer can purchase goods sold in a foreign country without personally going there.

This convenience has made the e-commerce market rapidly growing; however, it also brings problems which seldom exist in the face to face transactions. In transactions made on the premises, a purchaser has a chance to inspect a product before purchasing, and the goods or services are generally delivered on the spot in exchange for payment.

Some types of problems peculiar to the e-commerce market are related to this distant nature. One of them is the problem of delivery. According to the statistics of e-consumer.com, 21% of complaints reported by econsumer.gov, 21% of complaints received during the period starting from January 1 through June 30, 2005, are those related to merchandise or service which was never received.⁸ How to obtain redress in case of such problems from distant businesses is another peculiar type of the problems.

The Low Value of The Transactions

Another feature of the e-commerce transaction is the low value of each transaction. According to

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