

DEVELOPMENTS IN E-COMMERCE

– An Evaluation of Uncontrollable Elements of International Marketing in International E-Commerce –

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Abstract: High expectations were placed on e-commerce as a tool of development with the emergence of IT. However, it appears that e-commerce has been more of a boom rather than a systematic nurtured system of development. In the application of the traditional marketing task concept, it was found through a case study of Korea political and legal forces which are elements of uncontrollable elements of international marketing affected the development of e-commerce and consequently developments in the current economic structure of Korea.

I. INTRODUCTION

Recent IT related market situations show a downturn in many countries of what had been predicted to be a major turn or “revolution” (1) in international marketing. However, notwithstanding the slowdown of the IT related market revolution, the marketing innovations brought in by the IT revolution has come to stay. One of such innovations is the emergence and growth of the Internet and e-commerce (including e-business) (2) which can be characterized as an integral part of this IT revolution. The Internet and e-commerce are changing society as well the fundamentals of marketing.

One of the main areas of global changes envisaged with the emergence of the Internet and e-commerce had been to relief the burdens facing ailing economies. It was generally contended that the advent of Internet and e-commerce will bring companies and institution in all countries at par in competitive advantage. As a new medium of

business, developing economies could easily adopt the Internet and e-commerce to their competitive advantage. The competitive strength of the .com companies (Amazon.com, e-bay) against established companies in many industries were cited to back these contentions.

However, currently contrary to most of these contentions, establishments (companies, institutions etc) in the advanced economies, like the United States of America, Germany, Britain, and France, some newly developed economies like Korea, Taiwan, Hong Kong, Singapore, Israel and Ireland as well as exceptions of developing economies like China and India, have been ripping the benefits of the Internet and e-commerce in any significant way.

Global marketing strategy based on standardization of world (international) markets as presented by Levitt (3) has been greatly boasted by these developments in Internet and e-commerce. Many companies which have emerged as .com or the traditional companies which have integrated Internet and e-commerce into their systems, have achieved significant results and benefited from adapting global marketing strategy. The early stages of the introduction of the Internet and e-commerce saw high levels of international marketing standardization in many areas including IT, language and the marketing tools. However, few countries in the newly developed economies and developing economies have benefited from the economic impact of Internet and e-commerce. The present situation which shows fewer countries reaping the benefits of the emergence of e-commerce ought to draw the attention of international marketing research. This paper attempts to look at this topic from the perspective of international marketing task based on controllable and uncontrollable elements (4) which has been one of the dominant schools of thought in international marketing research.

II. TASK OF PAPER

Global marketing strategy based on international market standardization seems to have been the main focus of international marketing research for the past decade.

During the same period, fundamentally the cultural issue of the international marketing task (based on the controllable and uncontrollable forces) school of thought has been the only element that has been given some form of attention in international marketing research. As mentioned earlier, contrarily to contentions that were made at the advent e-commerce, companies and institutions from developed economies, especially the United States have been the leading players in the IT revolution (including developments in e-commerce). Almost all the other economies have been made to follow the foot steps of these developed economies. South Korea (herein referred to as Korea is one of the main economies outside the developed economies which is one of the major players in the international IT related markets.

For example, Korea adopted the 3G cellular technology earlier than many economies (5). The period between late 1980s and late 1990s shows that the growth of number of Internet host was 143% in Korea as compared 98.5% in the US, 105.8% in EU, 132.2% in Japan, 136.3% in Singapore and 97.9% in Taiwan (6). As early as 1993, the Korea government had decided to invest \$1.9 billion in the information industry (7). This investment was aimed at bolstering the Korean information technology to be at par with that of developed economies by the year 2000. The \$1.9 billion investment by the government was to be channeled to communications, computers, semi conductors and software technology. The concrete objectives outlined in the investment plan were to increase the number of computer terminals, create a 256-Mbit DRAM integrated circuit and to establish a digital network information service. This form of direct investment of the Korean government has been seen in very few countries.

Furthermore, it has been strongly argued that although the Asian Financial Crisis of 1997 may have hurtled Korea into an economic crisis, at the same time the crisis has acted as an impetus that has prompted the startling rise of e-commerce in Korea from 1998 (8). E-commerce is seen as one of the major contributors to the rapid economic recovery of Korea. Moreover, Korea has been presented as the leader of e-commerce in Asia (9). The role of the government of Korea in pursuit of IT revolution is seen as the element which has led to the vigor in the development of

e-commerce in the country. These achievements by Korea have prompted this research which is a re-visit to the issue of controllable and uncontrollable forces in the development of international marketing. In concrete terms, the task of this paper is to review legislatures related to the development of e-commerce in Korea. Through the review of various legislatures related to e-commerce, the place of the government of Korea in this arena can be made clear. In this respect, the intended fundamental effect of uncontrollable forces in the development of international marketing can be evaluated through this review.

III. A BRIEF REVIEW OF THE KOREAN ECONOMIC CRISIS AND RECOVERY

Korea has been able to achieve a strong economic recovery from the financial collapse of 1997. The Asian Financial Crisis resulted in winds of change blowing in Korea. The economy of Korea received an IMF rescue package amounting to about \$57,000 million. The need to implement this package called for major changes in the economic development of Korea. Firstly, the rescue operation required the government to play a major role (state-led) in the implementation of the plan as has been with other major IMF packages in the past. Secondly, the big conglomerated (economic cliques) that had dominated the economic expansion of Korea, the chaebols, had to fall in line with major government policies. Thirdly, a major element of the rescue was the necessity for Korea to open its closed economy. Openness of the economy of Korea was an important factor in the development of e-commerce in the country because openness is a core characteristic for e-commerce to take a foothold in an economy.

As a result of these changes in the Korean economy, the first quarter of the year 2000 achieved an annualized rate of growth in the gross domestic product (GDP) of 12.8% which was only second to Hong Kong among Asian economies (10). This result can be compared with Japan which managed a GDP growth of only 0.7% within the same period. Industrial production of Korea grew by 17.9% by the middle 2000 and consumer price inflation was at 2.9%. The mid-year (June) figures for the current account and balance of trade were positive, indicating surpluses of \$15,000 million

and \$16,000 million respectively. At this point, the foreign reserves of Korea had been rebuilt to a standing of \$86,800 million as compared to \$61,300 million in 1999. Much of the new growth in the economy was the result of massive boost in government spending (11). Although like Japan, government spending on public projects and state-backed bail out of financially troubled businesses occupied a major portion of government involvement in the economic recovery, investment in the new IT related markets also played equally an important role in government initiatives. It has been contended that one of the main reasons for the turn of events is that "since the 1997 Asian currency (economic) crisis and the collapse of markets right across South-East Asia, Korean firms had little choice but to seek out pastures new to traditional export markets" (12). Consequently, e-commerce was seen as one of the most attractive areas to initiate development. The development of e-commerce was state-led in Korea.

IV. STATE-LED DEVELOPMENTAL APPROACH

Socialism (communism) has been equated to "state-led" development while capitalism is equated to "market-led" approach to development. The issue of state-led approach being termed socialism/communism and market-led approach seen as capitalism has been re-visited in recent years (13). The presentations in this section are based on the work of Jeanette Park. Jeanette Park does not provide definitions for the concepts of state-led and market-led approaches to economic development although Park indicated that these two approaches differ fundamentally on critical factors. However, it is clear that the use of terms state-led and market-led do not mean the same as state-controlled (planned/socialist/communist economies) and market-controlled (market/capitalist economies) respectively (14). According to Park, economies (countries) are assigned certain comparative advantages within which the nation should work. The state-led approach seeks to shape the comparative advantages that have to be used in the international economy (15).

According to Park, every economy (country) is endowed with some form of comparative advantage on the international market. However, not all the comparative

advantages the economy possesses are created equally. The task of the state-led approach is for an economy to attempt to develop the capacity for the greatest comparative advantage in the international market by using government tools rather than just allow the economy to operate within the comparative advantages (labor, mineral resources, market potential etc.) it may possess. The task of a state-led approach is to apply the elements of free market in a controlled way. This approach is seen as a moderated use of free market forces through policy tools which try to screen comparative advantages for their full strength. State-led approach therefore offers political, social and macroeconomic stability which are often difficult to achieve in the rapid adoption of free-market policies.

V THE KOREAN INFORMATION TECHNOLOGY ENVIRONMENT

1. The Information Technology Infrastructure

Until the 1980's the situation of the information technology infrastructure of Korea and the level of involvement by the government appeared to be no different from other developing economies. In 1980 the penetration ratio of telephones was 71 to 1000 persons (16). Korea information technology infrastructure is now regarded as equal to or better equipped than most advanced economies. The present situation of the infrastructure of the Korean information technology has reached this level as a result of the positive involvement of the government (17).

The 1980s saw a massive strategy to domestically expand optical fiber cables between all major towns and islands (ie domestically) as well as internationally extending submarine cables between the Korean and also other countries. The first optical fiber was built in Korea to link Seoul, Inchon and Kuro. In order to be able to provide higher speed and quality services, the first Korean satellite (Koreasat 1) was launched in 1995 and Koreasat 2 in 1996. Until the launch of these satellites, the Korea Telecommunication Authority (hereinafter referred to as KT) was operating satellite earth stations. In 1994 all telephone switching systems were digitalized. This was followed by the digitalization of all domestic telephone lines in 1996. During the period between 1989 to 1996 while the growth rate of telephone supply in the US

was 3.3%, EU 3.5%, Japan 2.4%, Singapore 5.8%, Korea registered a growth rate of 7.1% (Taiwan's growth was 8.3%). In the case of cellular phone subscription between 1989 and 1996, the growth in the US was 45.5%, EU 43.5%, Singapore 59.8%, Taiwan 58.2%, Japan 86.2% and Korea 86.7% (18).

At the top of the government development of the information technology infrastructure of Korea is KT. KT was established by the Korean government in 1981. The task of KT was to provide telephone and telegraph services to the general public. KT is under the control of the Korean government. It is the responsibility of KT to integrate the communication network, develop a national telecommunication service, and implement modern R&D results as well as to develop advance information technologies. Consequently, KT has been responsible for laying optical fiber cable submarine optical cables among others. In 1982 the government established the Data Communication Corporation to promote data communication businesses. The aim for establishing the Data Communication Corporation was to offer data communication services like information database services and value added network services. In 1991 the name of Data Communication Corporation was changed to DACOM. In the following year, DACOM entered the international and long-distance phone service industry. The Korea Mobile Telecommunication Services Co. Ltd was established in 1984 to give services in the area of car phone and paging. The name of the Korea Mobile Telecommunications Services Co. Ltd was changed to Korea Mobile Telecommunications Corporation (KMT) in 1988 which open the way for the company to provide cellular phone services. The SK group started participating in the management of KMT in 1994. In 1997, KMT joined the SK group and the name of the company was changed to SK Telecom Co. Ltd.

2. Liberalization and Deregulation

Historically, telecommunications had been viewed as an area to be managed by the government. The Korean government in 1996 granted 27 new companies licenses to operate in 7 telecommunication fields which led to 40 companies conducting business activities in the telecommunication sector. In 1997 the government announced revisions in the Telecommunications Business Act which outlined guidelines for market

competition in almost all areas of the telecommunication industry. The guidelines showed that 73.7% of the then existing rules and regulations were to be either modified or abolished. This policy of adopting a state-led instead of state-controlled business environment was aimed at creating a telecommunication industry which will make Korea's telecommunication sector internationally competitive.

One other factor which changed the landscape of IT environment was the negotiation of Korea to join the WTO. In 1997 the government of Korea had to submit to WTO a timetable for the liberalization of basic telecommunication market. This opened 33% of the wireless service market to foreign entry from 1997. However, the wired service market was still closed to foreign participation. 33% of wired service market was opened to foreign participation from 1998. These figures for the wireless and wired service markets were to be increased to 49% from 2001. Furthermore, with the exception of KT, it was announced that foreigners could hold majority shares in domestic telecommunications companies.

3. The One PC per Person Policy

The government of Korea has adopted a comprehensive policy aimed at creating an "Information Society". One of the elements of this policy is a campaign with the objective of achieving a PC penetration rate of one PC to one person of the PC using population. The campaign includes the development and distribution of inexpensive PCs and making it possible for computer to be used in all public facilities, offices, schools and homes. In order to achieve extensive use of PC, the government at the same time developing high speed network and Internet services and also making it possible to undertake various application over secures the Internet networks. Related to one person PC is the developments in PC game in Korea. Initially, the PC game rooms and Internet cafes were used mostly by young people who did not have PCs at home. The computers in these game rooms and Internet cafes have Internet access in addition to popular game software. Through the promotion of PC rooms, it has been estimated that every Korean is able to get access to the Internet. It was estimated in 2002 that 75% of people going online were using high-speed Internet services

VI THE ELECTRONIC COMMERCE IN KOREA

If concept of electronic commerce is used to describe the process of buying and selling or exchange of products, services and information via computer (or related medium) network (Internet, intranet and extranet) (19), Korea offer one of the best examples of an electronic market (20). Evident is the Korean electronic market are transactions in the areas of business to business (B2B), business to consumer (B2C), consumer to consumer (C2C), consumer to business (C2B) and also nonbusiness electronic. However, in this section of this paper only business to business (B2B), business to consumer (B2C) will be discussed.

1) Business to Business (B2B)

The foundation of B2B in Korea is Electronic Data Interchange (EDI) system. Pohang Iron and Steel Co. Ltd (POSCO) is believed to be the first Korean company to use EDI in 1987. This was followed by an extensive use of EDI by various government institutions and organizations as well as large private business enterprises to undertake business to business transactions. In order to boost electronic commerce, the government of Korea took the leadership as well as strongly promoted the use of EDI and electronic procurements. Policy guidelines were formulated which encouraged government enterprises to adopt EDI systems. It was part of the government policy that by 2001 80% of government procurement were to be conducted through EDI systems.

As in other economies, it has been difficult to estimate the size of the B2B market in Korea because of the interaction of Internet, intranet and extranet transactions. Most of the B2B transactions are based on a form of EDI (example Electronic Funds Transfer [EFT] between financial institutions and business enterprises). However, there is an increasingly use of the Internet in business to business transactions. Some of the major trade networks serving and linking international businesses and Korean business enterprises are EC Korea (www.eckorea.net), EC21(www.ec21.net), KOBO (www.kotra.or.kr/kobo), and Dreammart (www.dreammart.com) (21). One major characteristic of these sites is that they offer comprehensive database of the Korean market, company directories and digital catalogs. Furthermore, these sites have

advanced features which permit users to present business and trade offers through electronic mail and also a bulletin board for post transaction/trade inquires.

2) Business to Consumer (B2C)

Significant Internet shopping was noticed in Korea around 1997. Until the late 1990s, Internet shopping malls were relatively fewer in Korea. By mid 1999 there approximately 568 electronic shopping malls and online retailers in Korea as compared to 450,000 in the United States and 7,000 in Japan (22). However, e-commerce in Korea has grown to the extent that at the 7th ebXML Asia Committee held in Hong Kong Korea was selected as the hub in Asia in the field of next-generation standard ebXML. Korea was designated as the interoperability test secretariat which meant that the interoperability test bed for ebXML solution that includes the promotion of ebXML-based e-commerce is to be created in Korea. Furthermore, Korea is leading an international forum of e-payment which is being participated by Asian countries like China and Japan. The Ministry of Information & Communication (MIC) of Korea and the Korea Electronic Payment Forum (KEPF) designated 2003 as the beginning of the e-financial market (23). Now Korea through KTF has joined the global wireless Internet standard which is currently being led by the platform of NTT Docomo of Japan and includes U.S. Qualcomm which pioneered the Code Division Multiple Access (CDMA) and earns royalties for the use/application of this technology (24).

The systematic development of online retail was pioneered by Lotte Department Store (<http://lotte.shopping.co.kr>) in 1996 and followed by Uniplaza (www.uniplaza.co.kr). The size of B2C market which was 1.4 billion Won in 1996 was estimated to have grown to 61 billion Won in 2000 by the National Computerization Agency (NCA) of Korea (25). The state-led approach has led to an increasing public interest in electronic commerce. The result is that Korea has been recording one of the highest growth rates in B2C market. In According to the NCA in 2000 by using the Forrester Research estimates, the total world e-commerce market was US \$ 6,570 million with Korea alone accounting for US \$ 51.1 million (1 US \$ = 1,200 Won) of the market. The state-led policies have been dealing with critical elements of e-commerce like security issues, legal issues, trust between buyers and sellers, payment methods,

taxation and costs related to the use of the Internet.

VII THE INTERNATIONAL MARKETING TASK

The concept of international marketing task was systematically postulated by Philip Cateora in 1966 (26). According to Cateora, the only major difference between domestic marketing and international marketing is that international marketing has to deal with a more complicated environment than domestic marketing. The difference in domestic and international marketing lies not in marketing concept but environment. Cateora proposes an environmental approach in dealing with the task of marketing in different economies. Cateora identifies two main environments from the perspective of performing marketing activities; namely the internal and external environments. The marketer faces marketing challenges by using the controllable elements (often referred to as marketing controllable) of the internal environment (within the company). The marketer cannot control or influence the external environment which consists of uncontrollable elements (that is domestic and foreign uncontrollables) and therefore creates uncertainties. The marketer must adjust or adapt to the uncontrollable element in order to achieve consistent successful results in marketing.

1. Marketing Controllables

The marketing personnel is suppose to use the required overall company resources to mix product, price, place (distribution) and promotion strategies to design an optimal adjustment to the uncertainties of a business climate. The controllables can easily be altered in the short run to the changing market environment and company objectives.

2. Domestic Uncontrollables

The domestic uncontrollable consists main of three elements, namely political/legal forces, economic climate and legal structure. The domestic political/legal decisions made by the government have profound impact on and direct effect on the international marketing success of companies. The economic climate which is directly linked to the political/legal forces is important home-based uncontrollable force. The economic climate determines the competitiveness of the company on the international

market as well as the domestic acquisition and allocation of financial resources for undertaking marketing activities. The legal structure can promote or deter economic and business activities of marketers.

3. Foreign Uncontrollables

Catoera list seven significant elements as making the foreign uncontrollables. These elements are (i) political/legal forces (ii) economic forces (iii) competitive forces (iv) level of technology (v) structure of distribution (vi) geography and infrastructure and (vii) cultural forces. According to Cateora, these are the main forces the international marketer has to contend with in designing and implementing an international marketing plan.

Depending on the industry, the international marketer may have to deal with the uncontrollable forces all at once or in stages. Especially in the case of a new encounter like e-commerce, the approach will be in stages. The marketer has to deal with the domestic uncontrollable before entering the international market. It is clear from the postulations of Cateora that the legal force and structure are indispensable elements in the dealing with the domestic uncontrollable. This paper will therefore focus on the Korean legal issues in the development of e-commerce.

VIII STATE-LED DEVELOPMENTS OF KOREAN E-COMMERCE

State-led development has many aspects and can take various forms. However in this section, legislatures aimed at the development of the Korean e-commerce until 2003 will be looked into. Six main legislatures (27) will be reviewed.

1. The Framework Act on Electronic Commerce

The Framework Act of Electronic Commerce (The Framework Act) which is classified as Act No. 6614, was wholly amended in 2002 and came into force on July 1, 2002. This Framework Act consists of seven chapters. Chapter 1 deals with the general provisions of the Act. According to this chapter, "the purpose of this Act is to contribute to the national economy by clarifying legal relations of the electronic commerce" (26). Further more the Act means at making certain that the security and

reliability of e-commerce is assured. Chapter 1 also provides definition of commonly used terms and concepts of e-commerce in Korea. For example electronic commerce is defined as any transaction of which the whole or part of the good or service is made through electronic messages.

Chapter 2 dwells on issues related to electronic messages. The main task of this Chapter is to establish the validity of messages sent by electronic form. Other concerns addressed in Chapter 2 includes the retention of electronic messages, the time as well as the place of transmission or reception of electronic messages, the sending of electronic messages, the acknowledgement of receipt of such messages, alteration pursuant to agreement between the originator and addressee.

Chapter 3 focuses on ensuring security in electronic commerce and the protection of consumers. One important aspect of this chapter is that it spells out the nature of the protection of personal data, business secrets, the use of encoded products, the formulation or execution of policies to protect consumers and the authentication for business operators of e-commerce among others.

Chapter 4 deals with the formulation of basic policy on e-commerce and systems for its promotion. The basic policy and duties of the government are made clear in this chapter. Under chapter 4, provisions are made for setting a committee on e-commerce policy., and also the Korea Institute for Electronic Commerce. The Committee on E-Commerce was to be established by the Ministry of Commerce Industry and Energy. The Committee deliberates matters related to the promotion of e-commerce. On the other hand the Korea Institute for Electronic Commerce (KIEC) was to be established by the government as a means of efficiently and systematically promote projects aimed at promoting of e-commerce and support the development of policies concerning e-commerce.

Chapter 5 is concerned with the creation of the basis of e-commerce. Standardization of e-commerce, technology development for e-commerce, the development of manpower for e-commerce, the promotion of e-commerce in public sectors, the internationalization of e-commerce and establish of an e-commerce support center

and supports for promotion activities are some of the issues presented in chapter 5.

Chapter 6 is devoted to the establishment, task, management and operation of the E-Commerce Mediation Committee. The main task of the Committee is to mediate disputes regarding e-commerce. The members of the Committee (not less than 15 and not more 50 including one elected Chairman by the members, is appointed or commissioned by the Minister of Commerce, Industry and Energy. The Committee may charge applicants for mediation of dispute. However, the government has to foot the expenses required for the operation of the Committee.

Chapter 7 outlines the authority of the Committee. It shows clearly a state-led approach through delegations from the Minister of Commerce, Industry and Energy. Chapter 7 indicates that this Act also applies to a foreigner or foreign corporation where the state of nationality of such a foreigner or foreign corporation has no similar protection corresponding to those provided under this Act unless that country has a treaty with Korea prohibiting such protections.

2. Digital Signature Act.

As early as July 1, 1999, there was a digital signature act in place in Korea. This Act was amended in January and December of 2001. Digital signature has been seen as an important aspect of conducting effective e-commerce transaction since deals have to be seal by signatures.

The purpose of the Digital Signature Act and issues related to the definition of concepts are presented in Chapter 1 which deals with the general provisions of the Act. According to this chapter, the purpose of this Act is to establish the basic framework of developing, managing a digital signature system as a means to secure the safety and reliability of electronic messages. Furthermore the Act is to act as an element in the promotion of the use of electronic messages. The government also aimed at developing electronic records and communication through the provisions of this Act.

Chapter 2 which is entitled "Licensed Certification Authority" takes care of the designation of the Licensed Certification Authority and related topics including disqualification, rules of authorized certification, the provisions of certification services, acquisition of certification, corrective order, suspension of certification, revocation, cessation and closure certification among others. Chapter 3 which is designed under the topic "Authorized Certification" contains almost all the topics mentioned under Chapter 2 but deals with licensed certification authority as compared to Chapter 2 which focus on the main administrative body.

Safety and reliability issues are handled in Chapter 4. The Ministry of Information and Communication was designated as the authority to make ordinances to be applied by the licensed certification authority to secure digital signature and safety of facilities related to the signatures. Records of issuance are to be kept by and controls enforced by the licensed certification authorities.

Chapters 5 which deals with signature certification policies and Chapter 6 on supplementary measures outlines the role of the government in this area. These two chapters also present a comprehensive outline of the government as the leader in developing, managing and maintaining an effective digital signature system to promote as well as ensure a working e-commerce market.

3. Consumer Protection Act

The Consumer Protection Act of Korea received a complete face lift in December 1986 to reflect the changing global consumer environment. This Act was amended twice in 1995 then in 1997, 1999 and 2001.

Three main purposes are presented as being the task of the Consumer Protection Act, according to Chapter 1 of its provisions of this Act.

(a) First, to outline the duties of the State, local governments, enterprises, consumer organizations and the consumer in the protection of the fundamental rights as well as interests of consumers

(b) Secondly, establish the basic elements necessary for facilitating a comprehensive

policy for protecting consumers.

(c) Thirdly, use the provisions of this Act to achieve an improvement and rationalization of the daily lives of consumers.

Although e-commerce is not singled out in this Act, most of the amendments to the provisions from the late 1990s seem show a conscious effort to develop e-commerce. For example safety issues were further strength in the amendments of 2001. The roles of the consumer was added Chapter 1 in 2001. In this same year amendments, assistance of local administrative organizations were sought to promptly deal with issues which seem to be rampant in e-commerce markets. Financial issues added in 1999 appear also to deal with net transactions. Electronic commerce was added to the Article 10 which deals with propriety transactions.

The Korea Consumer Protection Board which was established through the Minister of Economic Planning acts as the state organ in the leading in the protection of consumers and consumer interests. This act shows a government led approach consumer protection and the development of a consumer market.

4. Act on Promotion of Information and Communications Network, Utilization and Information Protection etc.

This Act deals with core issues which are major headaches of e-commerce. That is:

- (a) The utilization of information and communications networks.
- (b) The protection of personal information of people utilizing information and communications services.
- (c) The establishment of a safe and healthy information and communication network environment.
- (d) Improvement of the people's lives and enhancement of public welfare through information and communication networks.

This Act also presents a state-led development under which the Ministry of Information and Communication is systematically and collectively managing information concerning technologies and equipments related to information and communication

networks. It also outlines government financial and technical assistance to private sectors in the development of applied services of information and communications networks. This assistance also covers any person who develops information contents which are distributed through information and communication networks that can be determined to boost national competitiveness and also enhance public interest. Educational issues related information and communication network (Internet education at schools, expansion of education on the Internet, the training of information and communication network technical manpower, development of educational programs which utilize information and communication networks among others)

Other major topics dealt with in the Act includes

- (i) The promotion of utilization of information and communication network
- (ii) The utilization of digital documents through digital document relay
- (iii) The protection of personal information
- (iv) The protection of juveniles in information and communication networks
- (v) International cooperation regarding information and communication networks
- (vi) Damages, penal issues, infringements, and leaking information related to e-commerce.

5. Protection of Communication Secret Act.

The purpose of the Protection of Communication Secret Act is first, to protect the secrets of communications. Although this Act aims at promoting the freedom of communication, it confines its objects and requires such communication to pass through a more strict process of law concerning limitation on secret and freedom of communication and conversations.

Korea sees the open system of e-commerce especially B2C and the fast development of technology which intruders could use to perpetuate the system as requiring legislature. Violations in many cases are to be dealt as criminal offences. However, the stipulations of this Act go beyond e-commerce and deals with topics like:

- (i) Protection of secrets of communication and conversations.
- (ii) Prohibition of use of contents of mails.

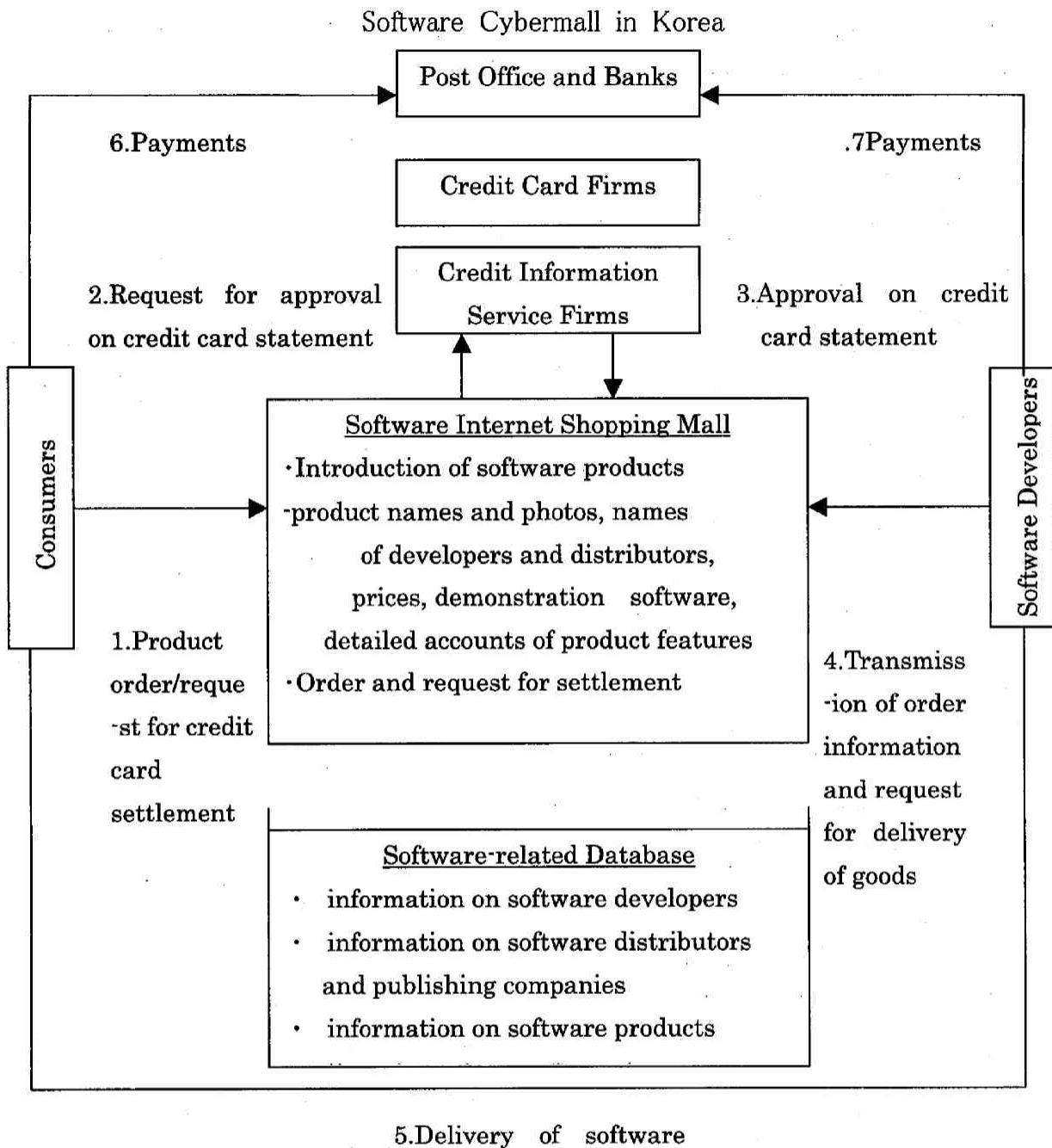
- (iii) Requirements for permission of communication.
- (iv) Procedures for authorization of communication.
- (v) Emergency communications.
- (vi) Authorizing agencies and procedure to access communications and conversations.

IX IMPLICATIONS/CONCLUSION

A review of legislature, laws and regulation related to e-commerce show a deliberate attempt by the government of Korea to direct the development in a positive way as a means of re-building the economy. All the various government ministries and sectors has been taking steps in line with the general government policies concerning e-commerce. The attempts being made by government has resulted in Korea being the leading international e-commerce market in Asia.

The roles of legal forces and structures in international marketing presented under international marketing task have been outlined as uncontrollable elements in the pursuit of international marketing results. It seems from the analysis of the Korean situation that these forces continue to be strongly uncontrollable in the development of new markets. For this reason, a state-led approach becomes compatible with a market economy since under planned economy the government has to perform both the state and corporate functions. However, in certain situations, the government may have to be temporarily directly involved in the market.

One example is the establishment of the Software Cybermall in Korea shown in the diagram (28) below. It became clear that most of the Korean software companies, especially small and medium size companies do not have effective distribution network or channels. Consequently, such companies had to pay about 40 percent commission to distributors in order handle or push their products. Korean software companies were uncompetitive in the market. The government through a state-led policy decided to step in as a means of providing solution to this distribution issue.



Source: Adopted from Efraim Turban et. al. p. 451

This led to the establishment of a software cybermall in the diagram above. In 1998 the state-led cybermall came into operation. This cybermall provides demonstration products to be tried by potential users. These demonstration products could be bought and paid electronically. The government provided the resources in order for the cybermall to be connected to a number of sited and vendors. Furthermore, software could be downloaded instead of being physically delivered. Such a state-led

development occurred as early as 1998 when electronic products were being contemplated in the global market.

Notes/Bibliography

(1) The critical argument as to whether the changes in the IT related markets can be termed revolutionary or not, may be left to business and economic history to judge in the future. However, there is no doubt that some of the elements of changes which can be seen in the IT related markets are comparable to that of the industrial revolution.

(2) The term e-commerce is used in this paper to mean the “a set of electronic, networked transactions, including pre-transaction and post-transaction activities performed by buyers and sellers” On the other hand, e-business is considered with the “the use of electronically enabled communication network that allow business enterprises to transmit and receive information” (Craig Fellenstein & Ron Wood, *Exploring E-commerce, Global E-business, and E-societies*, Prentice Hall, 2000 pp. 23-35) E-commerce is seen as requiring a strategic focus to optimize relationships between businesses, as well as business and consumers by using capable information technologies.

(3) Levitt's presented global marketing as a strategy to deal with the issues of market fragmentation worldwide. According to levitt, although international marketing strategy based on country-by-country or region-by-country approaches enable the consolidation of operation within a country or region, it leads to international market fragmentation. Standardization therefore is the core concept of global marketing strategy. However, standardization is not limited only to products, price, place (distribution) and promotion but also the fact that companies should adopt a proactive attitude towards global marketing strategy (based standardization) rather than a fragmented international marketing approach. (Theodore Levitt, “The Globalization of Markets”, *Harvard Business Review*, 61 (May-June) 1983, pp. 92-102; Masaaki Kotabe & Kristiaan Helsen, *Global Marketing Management*, John Wiley & Sons, Inc., 1998, pp. 12-15)

(4) Proposed by Catoera and later developed into an analytical framework by Cateora and Hess.

- (5) Kwon Yong Wook "Korea Seeks 3G Balance" *Australian Business Intelligence, COMTEX*, Nov. 2004 (Dec. 7, 2004 edition)
- (6) Lee, Jeongseob "The Information Technology Landscape in Korea", The Kogod School of Business, (e-publication), 1999, chapter 3, table 3.
- (7) Kim Nak-Hieon "Korean Information Industry Gets Government Aid" *Electronics*, Jan. 11, Vol. 66, No. 1, p.1
- (8) Sang-Bae K "Korea's E-Commerce: Present and Future" *Asia-Pacific Review*, May 1, 2001, Vol. 8 il, p.75
- (9) Kim op. cit.
- (10) Kemp, Peter "Closing the Gap (South Korea's Economic Recovery)" *Middle East Economic Digest (MEED)*, August 18, 2000 Vol. 44, No. 33, pp 23-34
- (11) Ibid. p.25
- (12) Ibid p.26
- (13) Park, Jeanette "New Comparative Advantages: Re-evaluation of State-led Development" *Harvard International Review*, Fall 2004, Vol. 26 No. 3 pp.34ff.
- (14) Under planned economies, central government "planners decide what goods and services are to be produced, how much is produced, and who produced and consumed these goods and services. The basic principle behind central planning is the notion that only the government can organize economic activity in a way that promotes economic well-being for the country as a whole". A market economy is defined as an economy that allocates resources through the decentralized decisions of many firms and households as they interact in markets for goods and services." (N. Gregory Mankiw, *Principles of Economics*, The Dryden Press, 1998. p. 9)
- (15) Park op. cit. p.37
- (16) Lee, Jeongseob op. cit Chapter 1 p 1 and The Korean National Statistical Office <http://www.nso.go.kr/cgi-bin/sws999.cgi>
- (17) Ibid.
- (18) Korea Telecom. <http://www.kt.co.kr>
- (19) Kalakota, R and Whinston, A.B. *Electronic Commerce: A Manager's Guide*, Reading, MA, Addison-Wesley, 1997
- (20) An electronic market is defined as a network-based interactions and relationships where information, products, services and payments are exchanged. The electronic

market covers all the necessary elements of transactions.

(21) Lee, Jeongseob op. cit. Chapter 4

(22) Ibid.

(23) Jin Yongcai & Wen Xingnan, *E-Business English*, Seok Hak Dang, 2003, p.196

(24) Ibid. pp. 198 & 214-215

(25) National Computerization Agency

<http://www.ecrc.or.kr/jaro.html>

(26) Cateora, Philip R. *International Marketing*, Irwin, 1966. This book has been revised a number of times and a comprehensive international marketing task model was presented in the seventh edition published in 1990.

(27) Jin Yongcai & Wen Xingnan op. cit. Chapter 4, pp. 327-483

(28) Efraim Turban et. al. *Electronic Commerce A Managerial Perspective*, Prentice Hall International, Inc. 2000, p. 450-451