
Drivers & Impediments of Cross-border e-Commerce: Policy Suggestions for Consumer Protection in South Korea

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1. Introduction

The age of e-commerce dawned in South Korea on June 1, 1996, when Interpark, Korea's first-ever online shopping mall, finally opened. Two decades have passed since then, and e-commerce has become an integral part of daily life for Koreans. Statistics confirm its astonishing growth in the country: according to Statistics Korea, online purchases have been consistently increasing their share of total retail sales, reaching 13.7 percent in 2016, nearly equivalent to the share held by large department stores. Since 2010, retail sales at large department stores have been growing at an average of 5.7 percent a year, while average annual growth in retail sales by e-commerce malls has been 10.3 percent. E-Commerce is fast becoming the predominant channel for retail transactions in Korea.

The technological innovation that has made this remarkable

growth possible is changing shopping patterns in Korea, and even weakening the national borders in retail transactions. An increasing number of Korean consumers today make direct purchases from businesses abroad via online channels.

This new form of retail transactions, involving consumers directly purchasing products via online shops abroad, is in fact rising all around the world. According to Accenture (2016), the value of cross-border business-to-consumer (B2C) e-commerce amounted to USD 73 billion in Western Europe, USD 71 billion in Asia-Pacific, and USD 67 billion in North America in 2014. Such cross-border B2C e-commerce trade accounted for 12 to 18 percent of all B2C online transactions value in these regions. Asia-Pacific, in particular, has the highest rate of cross-border B2C e-commerce growth, with cross-border B2C e-commerce trade in the region projected to reach USD 476 billion, or 31 percent of all B2C online transactions value, by 2020.

As cross-border B2C e-commerce is expected to likely emerge as a major shopping trend in the near future, a growing number of studies are being done on the subject in and outside Korea. The majority of these studies, however, explore these transactions in the interest of marketing, analyzing consumer motives for engaging in such transactions and the effects of consumers' psychological characteristics (qualitative factors) on their attitude toward or willingness to make such transactions. In order to understand consumer behavior in cross-border B2C e-commerce better, however, we must not only pay attention to the subjective and psychological factors, but also to their objective attributes, the characteristics of the goods they purchase, price differences, and the obstacles and

institutional factors involved. Few studies have addressed these topics so far. In this study, we seek to fill this gap in the literature by analyzing cross-border B2C e-commerce at multiple levels, and identify the variety of factors that lead to such transactions. Based on this understanding of Korean consumer behavior, we explore policy implications regarding cross-border B2C e-commerce.

2. Concept of Cross-border e-Commerce & Major Countries Involved

A cross-border B2C e-commerce takes place when a consumer located in one country purchases some goods directly from online shops in another country. The concept as used in this study includes both purchases that Korean consumers make themselves via the websites of overseas sellers and the purchases that Korean consumers make via online purchase agencies. Such transactions make up a part of international trade, but differ from traditional international trade in that they occur between businesses and individual consumers rather than between businesses.

Cross-border B2C e-commerce can be divided into three sub-types: namely, direct cross-border delivery transactions (DCDTs), cross-border delivery transactions by proxy (CDTPs), and cross-border purchase transactions by proxy (CPTPs). DCDTs refer to pure direct retail transactions in which consumers directly place orders for goods on overseas seller websites, after which the sellers ship the goods directly to consumer addresses. CDTPs are transactions in which consumers purchase goods directly from overseas seller websites, who agree to ship the goods to the proxy addresses. The

proxies then ship the goods to the final consumer address. CPTPs are transactions in which proxies place the orders for goods on the consumers' behalf, after which the consumers receive them at their addresses.

Cross-border B2C e-commerce has been multiplying explosively thanks to expansion of the online infrastructure. In particular, the emergence of global e-commerce platforms and the development of international shipping and the online payment systems have greatly improved convenience in purchasing good form overseas online shops. Consumers today are much more proficient in foreign languages and informed about goods available overseas than previous generations, and face considerably lower psychological and environmental barriers to such transactions. In addition to the lowering of these physical, cultural, and psychological barriers, governments' active support for cross-border B2C e-commerce has further boosted their proliferation.

Cross-border B2C e-commerce sales in Korea multiplied over five times in just two years, from KRW 310 billion in 2013 to KRW 1.7 trillion in 2015. The major countries from which Korean consumers purchase their goods include the United States, the European Union (EU) member states, Japan, and China. The value of Chinese consumers' cross-border B2C e-commerce also tripled from CNY 77 billion in 2013 to CNY 259 billion (approx. KRW 44 trillion) in 2015, with purchases mainly made from sellers in the United States, Japan, and Korea. Japanese consumers made cross-border B2C purchases, worth a total of JPY 222.9 billion (approx. KRW 2.17 trillion), from sellers in the United States and China in 2015. South Korea is another major seller country in B2C transac-

tions with Japanese consumers. Americans spent USD 40.6 billion (approx. KRW 42 trillion) in cross-border B2C e-commerce in 2013.

If the value of a cross-border B2C transaction falls below certain thresholds in Korea, simplified list-based customs and import reporting procedures apply so that consumers need not go through the cumbersome full customs process. This list-based process clears customs on goods that individuals purchase for personal use or for samples purchased by businesses and are worth USD 150 or less (or USD 200 if shipped from the United States) by accepting invoices indicating the name and contact information of the person or entity making the order as well as the type, price and weight of the goods being shipped. Individuals or businesses purchasing goods that are worth between USD 150 (USD 200 if shipped from the United States) and USD 2,000 and that are not included in the exemption categories can file for simplified import reports. This means that they submit general import reports without the normally-required accompanying documentation.

The Chinese government has also provided a simplified customs process for goods purchased via cross-border B2C e-commerce by exempting them from the requirement to submit customs reports. In April 2016, however, it began to require customs reports on B2C purchased goods that are imported via bonded trade warehouses.

For cosmetic products, baby formula for infants and toddlers, medical devices, nutritional and health supplements, and the like, only certified goods will clear customs in Korea (accompanied by initial import permits, registrations, etc.), beginning in 2018. However, these stronger customs and certification requirements will not apply to goods shipped directly by overseas sellers.

The Japanese government applies a simplified customs process to almost all goods purchased for personal purposes, depending on the ways in which these goods are shipped and delivered. The US government applies simplified customs processes to goods purchased for personal and business purposes and worth USD 2,500 or less.

A comparison of the simplified customs processes of Korea, China, Japan, and the United States shows China's to be the most permissive of all. Korea and the US base their simplified customs processes on the value of the purchases made. Japan, on the other hand, applies the simplified customs process to all goods purchased for personal purposes regardless of their value, but requires consumers to file import reports with respect to goods that are shipped as general cargo. China exempts all goods purchased via cross-border B2C e-commerce from the customs report documentation requirement also regardless of their value. Beginning in 2018, however, the Chinese government will require customs reports on all B2C-purchased goods imported via bonded trade warehouses. If the customs processes remain unaltered in the other nations in our comparison, China will have the strictest customs process by that time.

A simple comparison of Korea, China, Japan, and the United States in terms of the breadth of the duty-free range is impossible because some countries apply cumulative taxes, while others do not. The US applies accumulated taxes on multiple types of goods purchased, and exempts duties on goods valued up to USD 800 per person per day. The Korean government levies accumulated taxes if (1) the taxable goods accompanying a single bill of landing

or an air waybill are divided into duty-free bundles and subjected to customs separately; (2) if two or more types of goods that arrive at a Korean port on the same day (as indicated on their bills of landing or air waybills) are subjected to customs separately (except for goods shipped from two or more countries); and/or (3) if the taxable goods, purchased from the same overseas seller on the same day, are divided into duty-free bundles and separately subjected to customs. Of these, only purchases worth up to USD 150 (or USD 200 for goods shipped from the United States) are exempt from duties. Of the two countries that apply accumulated taxes, the US provides a much broader duty-free range. In the cases where accumulated taxes do not apply, however, goods purchased by Korean consumers are duty-free for up to USD 150 (USD 200 if shipped from the United States) irrespective of their quantity. In such cases, Korea provides greater duty-free benefits.

The Japanese government exempts B2C-purchased goods from duties if they are worth JPY 10,000 or less. The taxable price threshold in Japan is 60 percent of the overseas retail price. Accordingly, the Japanese government exempts retail goods worth JPY 16,667 (approx. USD 148) or less from duties. It does not apply cumulative taxes either. Korean consumers who are not subject to accumulated taxes may pay less in duties than their Japanese counterparts, but Korean consumers who are required to pay accumulated taxes pay more in duties.

Since beginning to apply new tariff rates to B2C-purchased goods from abroad as of April 8, 2016, the Chinese government has abolished duty exemptions on goods which clear customs via bonded trade zones. However, the same parcel taxes still apply

to B2C-purchased goods that are shipped by international mail directly from overseas, and duties less than CNY 50 are not levied. Under the new tax scheme, the parcel tax rates are 15 percent, 30 percent, and 60 percent of the price of the purchased goods. The corresponding price thresholds are USD 48, USD 24, and USD 12, respectively. Tariff reform has significantly shrunk the range of duty-free goods in China when compared to Korea, the United States, and Japan.

Regarding consumer protection, the Japanese government applies its Rules on e-Commerce and the Re-Trading of Information to disputes involving cross-border B2C e-commerce. The Cross-Border Consumer Center Japan (CCJ), an independent enterprise under the Japanese government, also helps Japanese consumers unable to reach overseas sellers themselves by contacting the official authorities abroad and requesting cooperation from those sellers on finding appropriate solutions to disputes. In the United States, the Council of Better Business Bureaus (CBBB), a nonprofit organization, helps American consumers in disputes involving cross-border B2C e-commerce. In Korea, the Cross-border Transaction Consumer Portal (CTCP), a part of the Korean Consumer Agency (KCA), and its customer center help Korean consumers find remedies and solutions in such disputes.

3. Analysis of Cross-border e-Commerce by Korean Consumers

This chapter analyzes the results of an opinion poll conducted on Korean consumers, aimed at examining their cross-border B2C

e-commerce. Participants were asked questions regarding their perception of and use of such transactions, their experience with actual transactions and satisfaction with the remedies available, reasons for and satisfaction with transactions, and awareness of applicable policies. The poll also asked consumers with no experience with such transactions how they perceived them and how willing they were to try them in the future.

The findings can be summarized as follows. First, women, people in their 30s, and consumers with higher education have tended to know and use cross-border B2C e-commerce for longer periods of time than men, people in other age groups and people with a lower level of education. Yet the difference was not statistically significant. Most consumers began engaging in cross-border B2C e-commerce less than 12 months before taking the poll. Second, the largest group, representing 35.4 percent of consumers polled, used cross-border B2C e-commerce once or twice a year, while 10.5 percent engaged in such transactions 15 times or more a year. On average, participants engaged in cross-border B2C e-commerce every 1.5 months or so, suggesting that such transactions are now part of daily life for those consumers rather than special events.

Third, the most preferred form of transaction was the DCDT. Younger consumers more familiar with cross-border B2C e-commerce were also more likely than the average consumer to use DCDTs and CTDPs. These consumers appear to be more knowledgeable on the details and processes involved and are therefore more likely than other consumers to use DCDTs and CTDPs rather than CPTPs. Fourth, the main reason consumers resort to CTDPs is because they want to purchase goods from websites that do not

yet provide direct shipping services to Korea. The main reason consumers resort to CPTPs, on the other hand, is because of the greater convenience that this type of transaction offers with respect to shipping, refunds, and exchanges.

Fifth, the average amount of money that Korean consumers spent on each cross-border B2C e-commerce is KRW 190,000. While the greatest proportion of consumers spent between KRW 150,000 and KRW 300,000 per transaction, a significant portion—16.5 percent—spent over KRW 300,000 per transaction on average. Men, people in their 40s, and people with higher household income tended to spend more on each transaction on average than other consumer groups. The average amount spent for CTDPs and CPTPs was higher than for DCDTs. Sixth, while Korean consumers purchase goods from a variety of countries worldwide, the most frequent source of the goods they purchase is the United States, followed by Japan, China, and the EU. While there is no significant difference between the genders in favoring American sellers, men were more likely than women to transact with sellers in China and Japan, while women were more likely than men to transact with sellers in Europe. This is likely because women tend to purchase apparel, cosmetic products, and food and beverages, while men tend to purchase electronics, appliances, mobile devices, computer devices, and sporting gear.

Seventh, consumers resorted to cross-border B2C e-commerce most frequently in order to purchase brand-name goods that are also imported into Korea by official dealers. However, consumers purchasing certain categories of goods, such as food and beverages, essential living goods, and automobile paraphernalia, targeted

brands that were not available in Korea. Consumers purchasing electronics, appliances, mobile devices and computer devices were much more likely to go for brands available in Korea than lesser-known brands. Eighth, while the shipping periods tended to correspond to the physical distances separating Korean consumers from their overseas sellers, goods purchased from Chinese sellers tended to arrive very late in Korea, even later than goods shipped by French sellers. This appears to stem from the shortage of advanced shipping infrastructure in China. The length of shipping periods figured as one of the important criteria for Korean consumers in making cross-border B2C e-commerce decisions. Men and the middle-aged tended to care more about shipping periods than women and younger and older people.

Ninth, cross-border B2C e-commerce tend to reduce the amount of goods Korean consumers purchase on the domestic market. Almost 50 percent of the surveyed consumers reduced their domestic consumption as a result of engaging in cross-border B2C e-commerce. Another 20 percent answered that they had reduced their domestic consumption by 30 to 50 percent.

Our opinion poll also surveyed consumers with respect to disputes or losses they experienced in the transaction process, how they dealt with their losses, and how satisfied they were with the remedies available. First, approximately 11.5 percent of consumers who had engaged in cross-border B2C e-commerce reported that they had had a dispute or loss. The most common form of loss they experienced was a delay in shipping, followed by receiving damaged goods or something different than what they had ordered, delays in refund or exchange, and inconvenience in finding repair

and maintenance services.

Second, the majority of consumers who experienced these difficulties either directly contacted their sellers or sought the advice or help of the KCA and nongovernmental consumer groups. However, an astounding 26 percent of consumers did nothing to deal with the difficulties because either they did not know of any available remedies or they were skeptical of the effectiveness of such remedies. Third, less than half of consumers who had experienced difficulties in cross-border B2C e-commerce and who sought the help of the KCA or other nongovernmental consumer groups were satisfied with the remedies and services they experienced. The rates of dissatisfaction were higher with respect to CDTPs and CPTPs than with DCDTs. As most of the proxies involved in CDTPs or CPTPs are Korean agencies, measures need to be established to ensure appropriate remedy for consumers dealing with these proxies.

Our opinion poll also asked consumers the reasons they use cross-border B2C e-commerce, and how satisfied they were with their experience. The main reasons for them to engage in cross-border B2C e-commerce were the lower prices and the absence of those particular goods in Korea. These two remained the most important reasons regardless of gender, age group, or income group. Consumers were generally quite satisfied with their purchases, particularly with respect to price, diversity, and quality. However, satisfaction rates remained staggeringly low with respect to security and timeliness of delivery, convenience of the refund/exchange process, and the availability of repair or maintenance services. In other words, consumers are mostly satisfied with the goods they purchase, but not satisfied at all with the process of cross-border

B2C e-commerce. Third, a significant number of consumers indicated their willingness to engage in cross-border B2C e-commerce in the future. No significant difference was observed between the genders in this regard, while younger consumers in their 20s and 30s and consumers who have used DCDTs and CDTPs were more likely to continue to use such transactions than other consumers.

The opinion poll was also used to identify how aware consumers were of the Korean government's policies on cross-border B2C e-commerce, and what they thought of them. First, although the Korean government raised the ceiling on the duty-free value of B2C-purchased goods as of December 2015, over half of consumers felt that the duty-free limit should be raised further. Second, consumers who return their B2C-purchased goods to overseas sellers for refunds can also have the duties they paid refunded. The proportion of consumers who made use of this duty return policy, however, remained small, mainly because most did not know of the duty return process or found the process too cumbersome to use. As of January 2016, the Korean government changed its duty return policy so that not only were duties paid on damaged goods refunded, but also on goods that were refunded despite the absence of defects. However, very few are aware of this change in policy.

Third, the Korean government introduced, in 2011, personal customs identification (PCI) numbers so that Korean consumers can avoid using their resident registration numbers in making cross-border B2C e-commerce. A significant number of consumers engaging in cross-border B2C e-commerce were aware of PCI numbers, and almost three quarters used them. Some consumers,

however, have also had their PCI numbers stolen. Fourth, in an effort to ensure order in the cross-border B2C e-commerce market, the Korean government identifies and sanctions sellers and proxies involved in wrongdoing. Almost none of the respondents, however, were aware of the Korean government's monitoring and sanctioning efforts. A significant number expressed that the Korean government should monitor wrongdoing more frequently and impose harsher penalties.

Finally, the findings of our opinion poll regarding the attitude of Korean consumers who have not had any experience with cross-border B2C e-commerce can be summarized as follows. First, these respondents were generally aware of what cross-border B2C e-commerce were in general, but lacked knowledge of the details. However, the number of consumers who were positively inclined to using such transactions was more than triple the number of consumers who were wary. The greater the awareness of cross-border B2C e-commerce, the stronger the positive inclination to engage in them. Second, the main reason these respondents had not yet tried cross-border B2C e-commerce was the lack of thoroughgoing consumer protection measures and institutions, which they feared as potentially leading to fraud and financial loss.

Third, the number of respondents willing to try cross-border B2C e-commerce in the future was more than double the number of those unwilling to do so. Men tended to be more willing, as did consumers in their 20s, and people who were more aware of such transactions. Fourth, a significant number of consumers inclined to try cross-border B2C e-commerce in the future preferred to try the services of well-established online retail malls in Korea, such

as 11th Street and G-Market. Due to their inexperience, these consumers likely felt greater anxiety and therefore preferred the well-known and trusted online retail malls for their new transactions.

4. Empirical Analysis

This chapter provides an empirical analysis of the factors identified, on the basis of the opinion poll, as exerting influence on cross-border B2C e-commerce by Korean consumers. Our empirical analysis targets not only the involved factors commonly identified by previous studies, but also takes into account the socio-demographic characteristics of consumers, the characteristics of the goods (type and price), and the available policies and institutions. There were three main objectives guiding our empirical analysis. First, we sought to determine and analyze the factors that influence the decision by Korean consumers to engage in cross-border B2C e-commerce. Second, we sought to analyze factors that decide the amount of money spent. Third and finally, we sought to analyze the factors that affect willingness to continue to engage in such transactions. The findings of our empirical analysis can be summarized as follows.

First, women are more likely than men to engage in cross-border B2C e-commerce, but men are more likely to spend more on each transaction on average. Women are more sensitive to changing trends, and may therefore be more open to cross-border B2C e-commerce. Men, on the other hand, tend to spend more on such transactions once they decide to get involved.

Second, the younger the consumer, the more inclined he or she

is to engage in cross-border B2C e-commerce to purchase what they want, and also the more likely they are to continue. Such transactions involve greater thrill, sense of novelty, and even risk than purchases made through well-established domestic channels, and young people tend to be less resistant to, and indeed more interested in, things that are new.

Third, consumers living in Seoul were more likely to try, continue to use, and spend more on cross-border B2C e-commerce than consumers elsewhere in Korea. Seoul, a megalopolis with a population of more than 10 million, is not only the political capital of Korea, but also the national center of business, culture, education, and shopping. The advancement of information technology has made information on cross-border B2C e-commerce equally available to consumers in and outside Seoul, but consumer location still exerts significant influence on preferred channels for retail purchases.

Fourth, the higher the income level, the more likely the respondent was to try and continue to use cross-border B2C e-commerce, and the more they spent. As these transactions are also forms of retail consumption and spending, it is only natural that people who earn more spend more on these transactions as well. Our empirical analysis, however, also suggests that higher income increases consumer access to novel ways of spending.

Fifth, the more familiar consumers are with information technology and the more time they spend on the Internet outside of work hours, the more likely they are to try and continue to use cross-border B2C e-commerce, and the more they are likely to spend. Consumers obtain much of the information they need for

such transactions from online sources and complete their transactions online as well. It is therefore natural that consumers who spend more time on the Internet have better access to cross-border B2C e-commerce than consumers who spend less time.

Sixth, respondents who purchase appliances, electronics, and mobile devices tend to spend the most on their cross-border B2C e-commerce. Those who purchase software, apparel and fashion accessories, computers and peripheral devices also tend to spend significant amounts. Those who purchase music, videos or musical instruments, agricultural produce or dairy products, appliances, electronics or mobile devices, and cosmetic products are also sensitive to the differences in price of cross-border goods and those available in Korea.

Seventh, consumers who make their purchases directly on overseas websites tend to spend more than consumers who make their purchases via the cross-border B2C transaction channels of online Korean retail malls, such as 11th Street and G-Market. Respondents who used online malls like Amazon and eBay and not the specific brand or seller websites tended to spend the most on their purchases.

Eighth, consumers who are worried about lengthy shipping periods, the cost of shipping, the difficulty of resolving disputes, the cost of refunds, the inconvenience of exchange or refunds, the likelihood of personal information being stolen or leaked, the lack of legal or policy protection for consumers, and other such issues associated with cross-border B2C e-commerce, tend to avoid such transactions altogether or spend only small amounts of money on their purchases. Our respondents were not only concerned about

the cost and duration of shipping, but also about possible disputes and inconveniences.

Finally, the higher the level of respondent satisfaction with cross-border B2C e-commerce in general, the more inclined they were to continue engaging in them. This confirms our impression. More specifically, the greater the satisfaction with price, quality, and product diversity, with the convenience of payment and the websites in general, and with the promptness of delivery, the greater the inclination to continue to engage in cross-border B2C e-commerce. Price, in fact, emerged as the most decisive factor in satisfaction. In addition, consumers who actively and repeatedly engage in cross-border B2C e-commerce are likely to be more dissatisfied with the Korean government's duty-free limit than consumers who do not use such transactions so frequently.

5. Policy Implications

(1) Basic Direction of Policy Change

In order to decide in which direction policy change regarding cross-border B2C e-commerce should occur, we need first to note the two main social benefits of these transactions. First, they counter the monopolistic structure of the import market in Korea, thereby helping to lower the prices of imported goods. These transactions also enhance the welfare of consumers by increasing their choice over purchases. Cross-border B2C e-commerce, however, can also exert negative impacts on the national economy, most directly by reducing consumer spending on the domestic market. As

shrinking of the domestic market continues to cast a shadow over the future of the Korean economy, we should not underestimate the contractionary effect that cross-border B2C e-commerce could exert upon domestic consumption.

Taking into account both these benefits and disadvantages, related policies need to be updated and made more appropriate by taking in a broader and international perspective rather than narrowly insisting on Korea's national interests only. In other words, we ought to introduce policies that not only allow Korean consumers to make their purchases from overseas sellers, but also help foreign consumers make their purchases from Korean sellers.

The cross-border nature of these B2C transactions, however, raises a host of issues and inconveniences quite different from those associated with domestic transactions. It will be necessary therefore to establish common norms and rules for international consumer protection in the intermediate to long term. At present, different countries enforce different laws and practices in this area, so it will not be easy to establish international norms any time soon. As the third and fourth chapters of this study show, a significant number of Korean consumers have experienced difficulties in cross-border B2C e-commerce that can only be explained by the international nature of those transactions. The majority of these consumers, moreover, were either unaware of the available remedies and services or skeptical of their effectiveness. Consumer fears of possible inconvenience and loss during cross-border B2C e-commerce also discourage them from trying them out. Active policy actions are needed to mitigate these fears and provide effective support to consumers.

In summary, Korean policymakers should update and improve the policies on cross-border B2C e-commerce in mainly two ways: first, by actively coordinating international cooperation in establishment of a single integrated international e-commerce market; and second, by paying attention to the details of the range of issues consumers face in cross-border B2C e-commerce to strengthen consumer protections and convenience. In this chapter, we explore and summarize policy implications regarding consumer protection.

(2) Policy Tasks

1) Strengthening Consumer Protection in Domestic Transactions

There is a legal foundation in Korea for protecting Korean consumers against the wrongdoings of purchase or delivery proxies in cross-border B2C e-commerce, such as the Act on the Protection of Consumers in Electronic Commerce (“e-Commerce Act”). Statutes like these, however, have been unable to stem the growing number of victims. Purchase and delivery proxies in Korea enter contracts with consumers on terms and conditions favorable to themselves. These contracts have thus been major sources of dispute with consumers. In an effort to improve the fairness of purchase and delivery transactions by proxy, reduce losses to consumers, and facilitate the resolution of disputes, the Korean government has recently published a standard contract for use in cross-border B2C e-commerce. It has also introduced the Temporary Suspension Order Program to shut down the websites of proxies engaged in wrongdoing.

Improvement of legal and policy measures for consumer protection is expected to reduce losses to consumers in the future. Yet the number of cross-border B2C transactions and the number of proxies and sellers active on the cross-border transaction market are rapidly multiplying. In order to ensure effective protection of consumers in this situation, it is also crucial to train and inform them on how to avoid problematic sellers, proxies and websites by regularly releasing and disclosing information to that end. Furthermore, the Korean government should reinforce the monitoring of suspicious businesses and impose harsher penalties on those found to have engaged in wrongdoing. In the following section, we propose policy measures for strengthening consumer protection at least in Korea.

- Provide information on businesses repeatedly implicated in wrongdoing.

The Korean government provides information on the trustworthiness of cross-border B2C transaction counterparts via the KCA's CTCP. The CTCP provides information on the procedure through which consumers can officially register their complaints regarding cross-border B2C e-commerce, on actual disputes that could arise in such transactions, tips on identifying and avoiding suspicious transactions, and the details of customs and tariffs involved. Most importantly, the portal also provides information on suspicious websites, including their names, URLs, the goods offered, and experiences of actual victims.

The CTCP's list of suspicious websites, however, mostly focuses

on overseas sellers' websites and provides very little information on the suspicious purchase and delivery proxies operating in Korea. The number of suspicious or fraudulent sites listed along with their names and URLs on the CTCP between September 22, 2015, and December 2, 2016, was 436 in total. Of these, 99 percent, or 431, were websites of overseas sellers. The KCA chose 61 of these websites based on counseling actual victims, and 370 based on a similar list published by its Japanese counterpart. The CTCP's list provides information on only five Korean proxy websites repeatedly implicated in wrongdoing. These five websites were included in the list on September 22, and October 15, 2015, and March 4, 2016, with no subsequent updates.

In the meantime, consumers complaining about purchase proxies in Korea made up 40 to 50 percent of those who sought the KCA's help and advice with respect to cross-border B2C e-commerce between 2014 and 2016. Despite the overwhelming majority of Korean proxies involved in consumer counseling provided by the KCA, so few of these proxies appear on the CTCP's list of suspicious websites, most likely because the KCA has been able to broker workable solutions between them and the consumers involved. Because these proxies are located in Korea, the KCA and other nongovernmental consumer groups have had a better chance to resolve conflicts, and probably felt less need to publish information on the websites of these proxies as a result.

Problematic Korean proxies may have reached settlements with individual consumers, but their websites may still become embroiled in future disputes with other consumers. Businesses that repeatedly run into such conflict are likely to cause problems

again. The KCA therefore ought to disclose information on these proxies and their websites, according to clear criteria, in order to prevent future loss and inconvenience to consumers. Under Article 28 of the E-Commerce Act, the Korean government can disclose information on businesses that run into conflict with consumers due to wrongdoing by the business. Because the KCA has already disclosed information on particularly problematic Korean proxies and their websites, it can legitimately and justly continue to do so in order to protect consumers in cross-border B2C e-commerce.

- Reinforce monitoring and penalties against businesses involved in wrongdoing.

As our discussion of the opinion poll in Chapter 3 reveals, the majority of respondents who have engaged in cross-border B2C e-commerce expressed a wish to see the Korean government reinforce monitoring and penalties against businesses involved in wrongdoing. Now that the cross-border B2C transaction market is growing ever so rapidly and the number of victimized consumers is multiplying along with it, it is time for the government to take more active legal and administrative actions to protect those consumers.

Acknowledging this growing demand for consumer protection, the Korean government has introduced a standard transaction contract template and also amended the law to enable it to shut down the websites of dishonest or unfair businesses. In order for these legal changes to be truly effective, however, the Korean government needs to reinforce its monitoring of, and sanctions against, such

businesses. If government monitoring takes place only occasionally every few years, it will not be effective in rooting out businesses that have engaged in wrongdoing in the intervening years. If, moreover, the harshest penalty that the government imposes is a small fine, there will be no effective deterrence for businesses from repeating the same behavior. Active and periodic monitoring of the market and harsher penalties are therefore crucial to ensure that businesses comply with the law.

This will involve, first, having the Fair Trade Commission (FTC) monitor businesses involved in cross-border B2C e-commerce at least once every year, and expanding the range of target businesses. The FTC has conducted only three monitoring campaigns on these businesses so far: once in 2007, 2012, and 2015. Considering the rapid growth of such transactions today, however, monitoring the involved businesses every three or five years will have no practical effect. It is therefore necessary to shorten the intervals in between monitoring to one year. Our opinion poll reveals that over 60 percent of consumers feel that such monitoring should be done at least within this time frame. The FTC also targeted only purchasing agencies in the past monitoring campaigns. However, the number of consumer complaints registered with the KCA regarding delivery agencies has also been on the rise, ranging from 180 to 480 a year, meaning that the FTC should now broaden its scope to include those agencies as well. The regularity of governmental monitoring itself will have some deterrent effect on preventing these businesses from engaging in unfair or illegal activity in the future.

Next, the FTC should impose actual and substantial penalties

against businesses that are implicated in wrongdoing. Article 21.1.1 of the amended E-Commerce Act allows the government and its agencies to issue orders of correction, impose monetary fines, and even shut down the websites of businesses that are found to have engaged in “spreading false or misleading information, inducing and/or transacting with consumers through deceitful means, and preventing consumers from lawfully terminating contracts by revoking applications and other such acts.” In fact, over half of the businesses subject to the monitoring campaigns of 2007, 2012, and 2015 were found to have engaged in this illegal activity (17 of 21 in 2007, four of six in 2012, and 10 of 11 in 2015). These results suggest that new and more regular monitoring campaigns will reveal even greater numbers of businesses implicated in wrongdoing in the future. The Korean government should therefore regularly monitor and actually impose substantial penalties against businesses to send the message that failure to comply with the law will result in significant loss.

2) Strengthening Consumer Protection against Overseas Sellers

Issues that arise in cross-border B2C transactions pose greater difficulties to consumers than those that arise in domestic transactions due to the linguistic, cultural, and procedural barriers involved. While consumers have the duty to register their complaints with overseas sellers first, they should be able to seek and obtain suitable legal remedies and services if a satisfactory settlement is not reached with the sellers. The KCA can provide this for consumers in Korea. We propose here some suitable measures.

- Expand the international network of legal remedies and help for victimized consumers.

The general process by which a Korean consumer may seek to resolve their complaints regarding the outcomes of their cross-border B2C e-commerce is as follows. First, the consumer checks the seller's policies on exchange and refunds and the process for resolving disputes. The consumer may then officially register his or her complaint with the seller via e-mail or telephone. If the two parties, however, fail to reach a satisfactory resolution of the complaint, the consumer may consult the KCA, a governmental agency established to handle such matters.

The KCA provides various rules and materials in English to help Korean consumers settle their complaints with overseas sellers. The CPTP provides Korean translations of the exchange and refund policies of major online retail malls belonging to American, Chinese, and Japanese sellers, and also provides templates for English letters that consumers may use in e-mailing overseas sellers. Where consumers fail to resolve the problem on their own with the sellers, they may download the Application Form for Consultation on e-Commerce Transactions from the CPTP, complete the form, and e-mail it to the KCA (crossborder@kca.go.kr) in order to receive counseling and advice.

Upon such a request for help, the KCA refers the consumer to the consumer protection agency in the country where the seller is located and also provides language support. In most cases, however, consumers cannot resolve the problems on their own. The KCA thus relays consumer complaints to the overseas sellers on behalf

of consumers, requesting that the sellers resolve the issue or come to an agreement with the consumer. Due to the differences in law and commercial practices, even the KCA's best efforts fail to lead to satisfactory resolution for Korean consumers in many cases. The KCA has thus entered into agreements with consumer protection agencies in the countries where sellers who are popular with Korean consumers reside or that are often the target of complaints, and use the established networks with these consumer agencies to provide more effective help.

The process of resolving consumer complaints along the international consumer protection network goes as follows. First, upon receiving a complaint from a Korean consumer via the CPTP, the KCA relays it to the consumer protection agency in the seller's countries. This, however, is possible only where the KCA has established working relations with that consumer agency first. The overseas consumer protection agency then relays the complaint to the seller, who then relays its answers or solutions to the consumer protection agency in their respective country. This agency then relays the seller's response to the KCA, which then redirects the response back to the consumer.

The KCA has entered partnership agreements with its counterparts in numerous countries worldwide, including Japan, Vietnam, the United States, Canada, Mexico, and Thailand. Despite these efforts, less than half of consumers have ever had their complaints addressed in a satisfactory manner. The proportion of consumer complaints that were satisfactorily handled by the KCA was 49 percent in 2013, 49 percent in 2015, and 45 percent in January through August 2016. The Korean government needs to enter partnership

agreements with more countries, particularly China, the United Kingdom and the rest of the EU member states, and the Southeast Asian countries with whose sellers Korean consumers frequently do business. The Japanese government, for example, has partnership agreements with 11 countries and regions today.

It is important to expand the international network of consumer protection not only to protect Korean consumers better, but also to increase cross-border B2C e-commerce between foreign consumers and Korean sellers. A well-established international consumer protection network would facilitate the resolution of disputes with foreign consumers, which would be a key consideration in their decision whether to purchase goods from Korean sellers.

- Increase the range of information available to consumers regarding available remedies.

Korean consumers who find themselves in disputes with overseas sellers face far greater difficulties, in terms of procedural and linguistic barriers, than in their dealings with domestic sellers. The fact that these sellers are located abroad also prevents the consumers from actively seeking to resolve their problems, because of their ignorance of the available remedies and/or skepticism about how effective those remedies will be. Although the KCA and nongovernmental consumer groups provide counseling and advice, the majority of consumers lack the knowledge that such help is available in the first place. The KCA's CPTP currently provides information on the process of counseling as well as a number of actual cases involving victimized consumers. The KCA needs to broadcast

and advertise such information further and thereby encourage Korean consumers to actively seek help and remedy.

One effective way to increase the range and reach of information to consumers is to publish a collection of case studies detailing the actual experiences of Korean consumers with cross-border B2C e-commerce. Such a collection would divide experiences into different types and provide information on the relevant remedies available. It is often the lack of knowledge and information that amplifies fear and resistance. The same applies to resolving disputes involving cross-border B2C e-commerce. By reading such a collection, consumers would know better how to handle disputes and problems, and even predict how their problem might be resolved and handled in similar cases. This knowledge and preparedness is enough to enable consumers to more actively seek help if things go wrong.

The KCA, in fact, publishes a *Yearbook on Consumer Protection Remedies & Collection of Cases* every year. These yearbooks, however, focus solely on the remedies provided for consumers that experience difficulties in dealings with domestic sellers. The KCA would be wise to publish similar books on cases involving cross-border B2C e-commerce as well so that Korean consumers would be better informed about the remedies available.

Another way to improve the reach of information to Korean consumers is to open up a platform or channel over which consumers can communicate and help one another overcome problems in cross-border e-commerce. A platform akin to Jisik-IN, belonging to Naver.com, Korea's largest information portal, should be developed to allow consumers to post questions about cross-bor-

der transactions and let other knowledgeable or experienced consumers answer them.

The KCA can add such a feature or platform to promote the voluntary seeking and giving of advice among consumers as part of the CPTP to enable them to share information easily and help one another. By searching the list of questions and answers already posted regarding specific topics and posting questions themselves, Korean consumers would be better able to avoid disputes and other issues in cross-border transactions and also to handle issues better when they arise.