Selected Barriers to Online International Trade Within the EU: Could Standards and Common Rules Help?

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ABSTRACT

This article deals with the problems associated with online international trade, i.e. e-commerce, within the EU. The authors examine the potential barriers to cross-border online selling and online buying with the focus on problems related to standards. The problems associated with interoperability and labelling can be seen as clearly related to standards. Using data from the flash Eurobarometer (413) survey, logit and ordered logit regressions are estimated. Interoperability problems, when selling online, are more frequently reported by wholesale firms and those in the information and communication sector. Firms who are part of an international group are more likely to sell online and have slightly fewer problems with interoperability. The majority of the firms in the sample believe that common rules of e-commerce within the EU could be beneficial for their online business. This is especially true for those reporting problems with interoperability, different labelling or copyright issues. This then provides justification for the EU to adopt such rules.

KEYWORDS

E-Commerce, EU Regulation, Eurobarometer, Firm Size, Intellectual Property Rights, Interoperability Problems, Online-Trade, Regression Analysis, Standards

INTRODUCTION

The Internet represents a very important means of achieving greater competitiveness of individual businesses as well as for the economy as whole. The online business of today is potentially at least of the same importance as the one in the off-line world and will only grow in importance in the future. Companies seek to exploit their potential and extend their capability via the Web by using it for selling or buying. E-commerce could be, for many of them, an effective tool to allow them to reduce their operational costs and enhance their target market. Furthermore, we can say that online business could significantly facilitate cross border trade within the EU and also globally. It is evident that more and more customers get used to shopping abroad online without actually going anywhere. On the other hand, there are of course some potential problems that could represent a barrier to online trade between countries. The lack of standards or differences in local standards could be considered as one of these barriers.
Our research aim is to identify the problems associated with online international trade which are related to standards. The literature has suggested and evaluated many important reasons for e-commerce intensity, adoption and diffusion, including physical vs. digital products, delivery cost and infrastructure, position in a supply chain, number and size of partners and suppliers, and cultural distance (Jennex et al., 2004; Lawrence & Tar, 2010). In this paper, we focus on the impact of standards related issues on e-commerce. According to the available data from Eurobarometer we narrow our focus specifically on interoperability problems and problems with different labelling. These two issues could represent significant barriers for international online trade within the EU, and both are related to the existence of common standards. Interoperability standards can play a significant role. Furthermore, certain common standards for product labelling in the EU could reduce the costs of product adoption for another market. Based on empirical data, we examine the incidence of selected problems in EU countries and identify the characteristic of those firms which are most exposed to each of the problems. We particularly focus our attention on problems with interoperability and problems with different labelling. We are concerned with both types of e-commerce business to business (B2B), as well as business to costumer (B2C). Furthermore, we also want to find out whether common rules for e-commerce would be beneficial for online business in the EU, although we must acknowledge that standardization and rules are not always the same concept and one does not imply the other (Blind et al., 2017). In the next section, we review the literature regarding to this topic. Next, we describe our methodology and the dataset used in the analysis, then we summarize and discuss the most important results. The final conclusions and potential policy implications are made at the end of our paper.

LITERATURE REVIEW

E-commerce contains all types of electronic transaction, which could be either on the buy-side or the sell-side (Chaffery, 2007). E-commerce has attracted substantial interest from economists because it has been predicted to be a new driver of economic growth especially for developing countries (Zaied, 2012) and it has also the potential to improve efficiency and productivity (Lawrence and Tar, 2010). However, there are still several obstacles to e-commerce adoption or its further enhancement. There are several factors often mentioned in the literature as the most significant barriers for e-commerce adoption. Most of the studies are focused more on developing countries than developed countries. Despite the fact that developing countries have in general more significant problems in this area, in developed countries there are also several problems that still have to be solved in order to further increase e-commerce activities. With respect to country-specific problems, the lack of an adequate infrastructure, technical barriers and lack of government ICT strategies are often mentioned as significant barriers in the adoption and growth of e-commerce (Lawrence & Tar, 2010; Zaied, 2012). There are also other technical issues limiting e-commerce usage, such as Internet security (Abbad et al., 2011; Halaweh; 2011; Zaid, 2012) and payments security concerns (Halaweh, 2011; Godwin, 2001). Costs related to Internet services and online payments systems and the Internet are also not negligible. This could be one of the reasons why studies often report that SMEs are in general lagging behind large companies in the adoption of e-commerce (Chitura et al., 2015; Stockdale & Standing, 2006). As reported by Gomez-Herrera et al. (2014), a 1% increase in the use of efficient cross-border payment systems could lead to a 7% growth in cross-border e-commerce. The authors also argue that online business gives a comparative advantage to English-language exporting countries. Furthermore, Solaymani et al. (2012) stated that a lower level of Internet service costs motivates firms to adopt e-commerce. Furthermore, the risk related to online trade appears to be in general higher than for
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