



Global Business Dialogue on Electronic Commerce

GBDe 2008 Issue Group Consumer Confidence

“Reflection of Alternative Dispute Resolution, Trustmark and Data Privacy Activities”

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1. Introduction

GBDe’s Consumer Confidence Issue Group (CCIG) has released various recommendations over the last 10 years on how to build trust between consumers and merchants in cross-border e-transactions, with many recommendations adopted by governments and related organizations, including APEC, OECD, ATA, and Consumers International. CCIG has focused on three key factors for building trust between consumers and merchants, namely ADR (Alternative Dispute Resolution), Trustmark, and Data Privacy Protection including ongoing dialogue with various stakeholders.

The following chapters discuss the 2008 activities for each focus area.

2. Alternative Dispute Resolution (ADR)

At last year’s GBDe Summit in Tokyo, GBDe’s CCIG proposed the framework of an International Consumer Advisory Network (ICA-Net) for global cooperation in providing consumer complaint handling services in cross-border e-commerce transactions (Figure 1). The ICA-Net framework proposal was positively accepted and encouraging comments for its execution were given by the participants in the Tokyo Summit, such as OECD, US FTC, METI of Japan, and ATA (Asia Pacific Trustmark Alliance).

CCIG had a series of meetings and dialogue this year with various stakeholders related to the implementation of the ICA-Net framework:

- Governments and agencies: Japan, USA, Singapore, Malaysia, Korea, Vietnam, Thailand, Taiwan
- ADR service providers: EC Network (Japan), BBB Online (USA),

TRUSTe(USA), CASE (Singapore), KIEC (Korea), SOSA (Taiwan)

- Consumer organizations: Consumers International, NCCC (Malaysia)
- International organizations: APEC

Through discussions with stakeholders, CCIG accomplished following:

- GBDe developed a phased implementation plan for ICA-Net:
 - ◇ Phase 1: Trial with a few participants with existing resources
 - ◇ Phase 2: Expansion to APEC region
 - ◇ Phase 3: Connection with ECC-Net (European Consumers Center Network)
- The phase 1 trial will start in January 2009 with five participating organizations: EC Network (Japan), CASE (Singapore), NCCC (Malaysia), BBB Online (USA) and SOSA (Taiwan). Vietnam and Thailand have expressed their strong interest in the ICA-Net framework and wish to join the trial in the second half of the trial period. The kick-off meeting for the trial will be held in Tokyo in December 2008. It has been agreed among the participating organizations for the 1st phase trial that they will participate in the trial with their existing resources.
- GBDe presented the ICA-Net framework at the APEC ECSG meeting in August 2008 and the ICA-Net framework has been approved as one of the APEC ECSG Data Privacy Pathfinder projects.
- ICA-Net has been incorporated as a main project of one of ERIA's working groups titled "Working Group for building infrastructure for safe and secured electronic commerce". ERIA (Economic Research Institute for ASEAN and East Asia) is an international research organization for the economic integration in the East Asia region, which was established in June 2008.

Dialogue with related stakeholders such as APEC ECSG, ATA, ERIA and Consumers International will continue in 2009 including both updates on the progress of the trial mentioned above as well as to generate wider recognition of the ICA-Net framework and encourage more participation in the APEC region.

ICA-Net (International Consumer Advisory Network)

-----simple, low-cost and interoperable-----

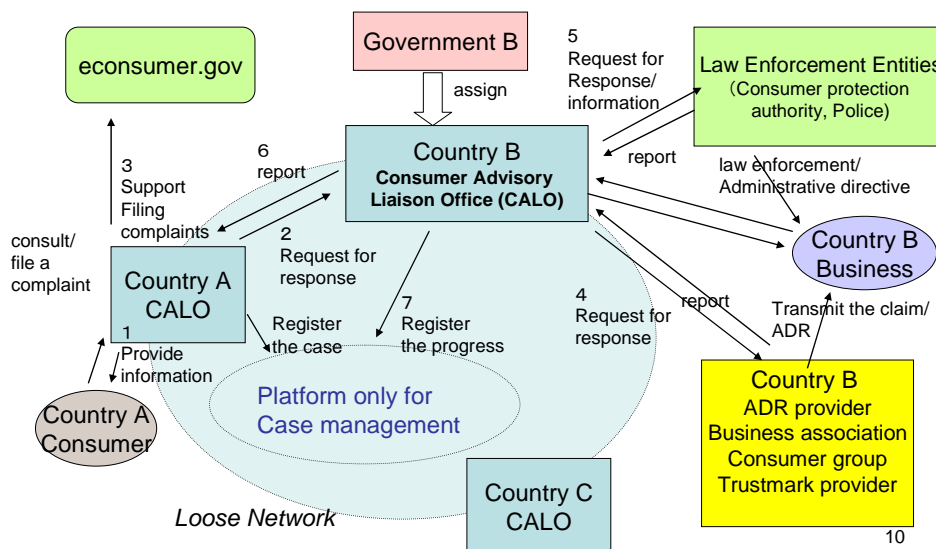


Figure 1

3. Trustmark

Since the inception of GBDe, the Consumer Confidence Issue Group has long been advocating the importance of global trustmark for the promotion of cross-border B2C e-transaction. In 2001 CCIG recommended the GBDe guideline for trustmark. Based on the guideline ATA (Asia Trustmark Alliance) was established with participation from Japan, Singapore, Korea and Taiwan in 2003, and GBDe's CCIG has been actively supporting the activities of ATA. In 2008, GBDe committed itself as part of the 2008 Action Plans to continue to support the expansion of the TM alliance.

Two(2) ATA workshops were held in 2008, one in Hanoi in June and the other in Taipei in October. GBDe members actively participated in both meetings as keynote speaker and panel members in order to:

- introduce GBDe activities to ATA members
- strengthen the collaboration between GBDe and ATA
- support expansion of ATA members

These activities promoted increased awareness of the importance of trustmark among the participants of both meetings.

CCIG had series of discussions with the governments of Vietnam, Thailand, Malaysia and Japan to emphasize the importance of trustmark and ATA. CCIG's continuing efforts to promote the trustmark alliance greatly contributed to ATA's expansion in 2008:

- Vietnam officially joined ATA in June.
- Thailand participated in the ATA meetings in Hanoi and Taipei as an observer and is expected to officially join ATA in 2009
- CCIG approached the Malaysian government by working with CyberSecurity Malaysia, a GBDe member in Malaysia. As a result, the representative of Malaysian government attended the ATA meeting in Taipei as an observer in October.
- JIPDEC, a privacy mark certifier in Japan, participated in the ATA meeting in Taipei in October as an observer.

CCIG also attended APEC ECSG meetings in Lima, Peru in February and August in 2008 . CCIG shared the information and exchanged opinions in regard to the cross border trustmark minimum code of conduct and the mechanism for cross-border consumers complaint-handling together with the participants from ATA as an observer.

4. Data Privacy Protection

4.1. Introduction

As discussed in the 2007 GBDe Consumer Confidence Issue Group Reflection Paper,

the potential collision between two global trends, increasing cross border flows of information and increased concern over data privacy, could have significant implications for ongoing global economic growth. In the extreme, data privacy could become a significant barrier to trade across national boundaries and reduce global economic growth.

While that reflection paper considered a number of aspects, to more fully understand what organizations are doing to address data privacy and how that interacts with outsourcing, GBDe undertook a data privacy survey in 2008. The results of that survey are presented in this paper.

4.2 Survey Background

The survey was conducted in Q2 2008 by GBDe and TPI. The survey was sent to about 400 global organizations with a strong focus on APEC-based companies. A response rate of approximately 5% was achieved, consistent with expectations for this kind of survey.

4.3 Survey Results

The predominant theme revealed by this survey is that organizations are struggling with implementing an effective approach to cope with multiple privacy regimes. This conclusion is drawn from the following key responses:

- Less than 50% of the respondents have been able to implement a uniform global privacy policy with half of the respondents taking a regional approach to dealing with multiple privacy regimes
- The most difficult implementation issue, relative to expectations, was

alignment across different regions with 80% of respondents noting that this was “somewhat” or “much” harder than expected

- 65% of the respondents require third parties to adopt the respondent’s privacy framework rather than allowing use of the higher of the respondent’s and the third party’s framework, likely highlighting their difficulty in ascertaining the what standard is “higher”
- Over 40% of respondents noted alignment of regimes as a key suggestion for improvement with over 60% requesting clarification of rules.

Section 4.5 of this paper presents the detailed survey results.

4.4 Next Steps

As noted in the previous section, implementation issues are a key focal point with regards to data privacy and steps to streamline the implementation of data privacy will continue to be a key topic for GBDe. In 2009, GBDe will focus on this in two complementary ways.

One will be to drive towards a business-level alignment of privacy approaches between GBDe members, thus simplifying interactions and reducing the cost of business among GBDe members.

The second will be to work with APEC (via the Pathfinder project) as well as with other inter-governmental bodies to continue progress on improvements with regards to implementation of data privacy such as consistent global rules that satisfy the needs of multiple regimes.

4.5 Survey Details

4.5.1 Respondent Profile

As shown in figure 1 and figure 2, although larger companies were a significant portion of the respondents, a wide range of company sizes are represented.

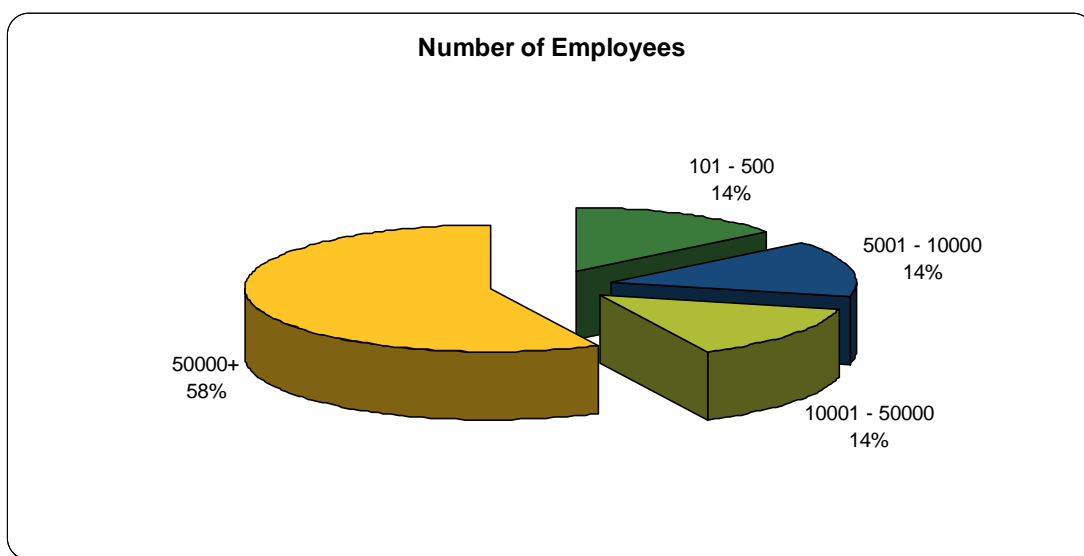


Figure 1: Respondent Company Size – Number of Employees

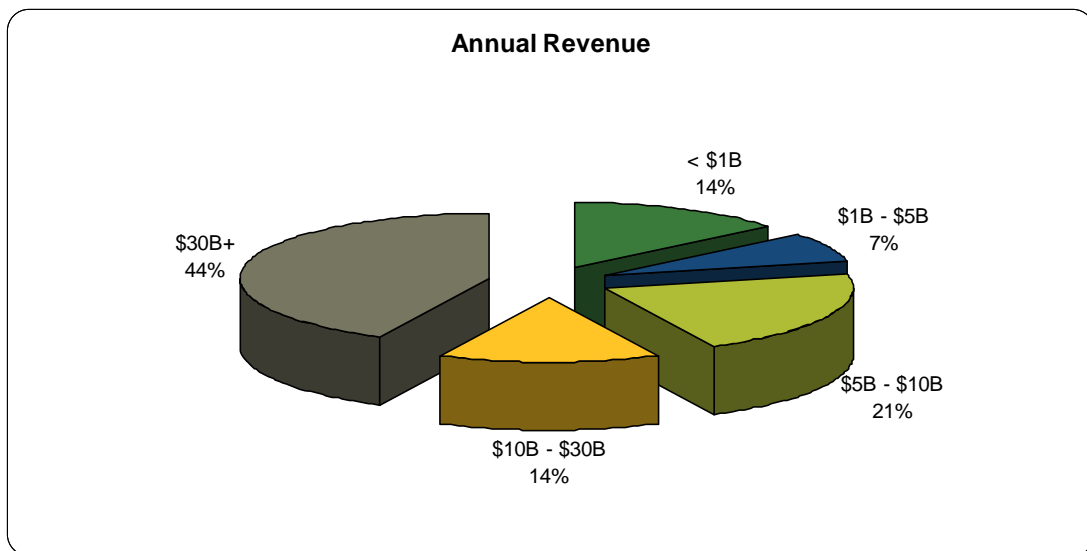


Figure 2: Respondent Company Size – Annual Revenue

While the survey covered companies from around the world, the strong APEC representation was highlighted with just over half of the respondents having their head office in the region.

The individual respondents themselves were almost entirely comprised of people with a direct privacy responsibility, with Chief Privacy Officers representing just over half of the respondents..

4.5.2 Other Survey Background

Most respondents considered both electronic (90%+) and paper data (almost 80%) and all respondents considered basic personal data with 50% of the respondents considering sensitive personal data (based on the EU definition).

4.5.3 Privacy Approach

Structurally, privacy groups are similar to other support groups within the respondents with particularly close alignment between privacy groups and legal groups as shown in Figure 3.

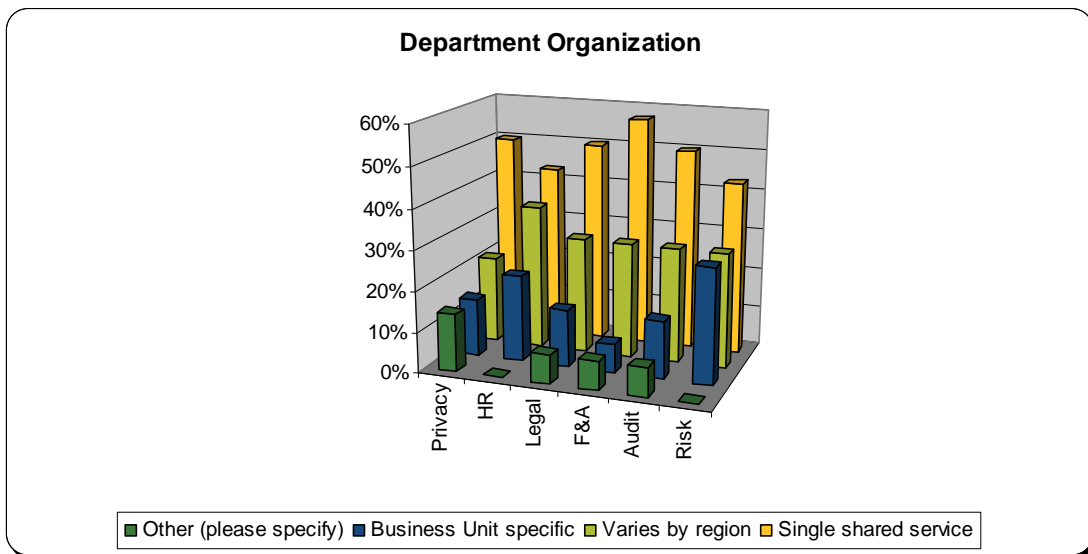


Figure 3: Department Organization

In terms of department size, little change is anticipated over the next 18 months although this could be a result of the respondents coming from firms who have well-established privacy groups. The predominant privacy group size is in the 1-10 person range and while the larger companies tend to have larger privacy groups, no strong correlation was found between company size and privacy group size.

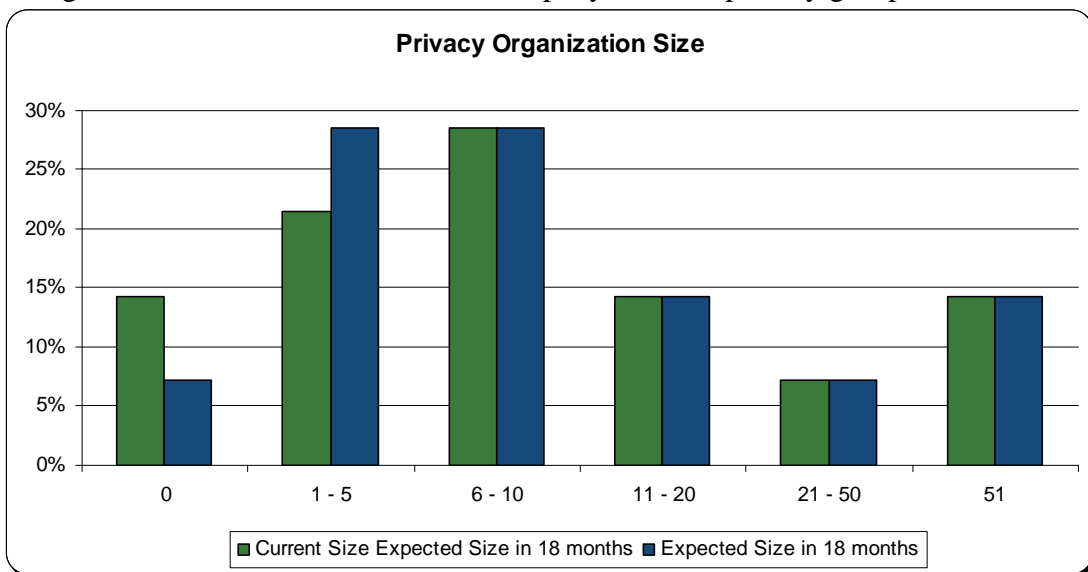


Figure 4: Privacy Organization Size

With respect to privacy policies, a wide variety of approaches were observed as shown in Figure 5. As would be expected from that variety, when dealing with multiple regimes, only 50% of the respondents use the highest level of protection with the other half of the respondents having policies that vary by region.

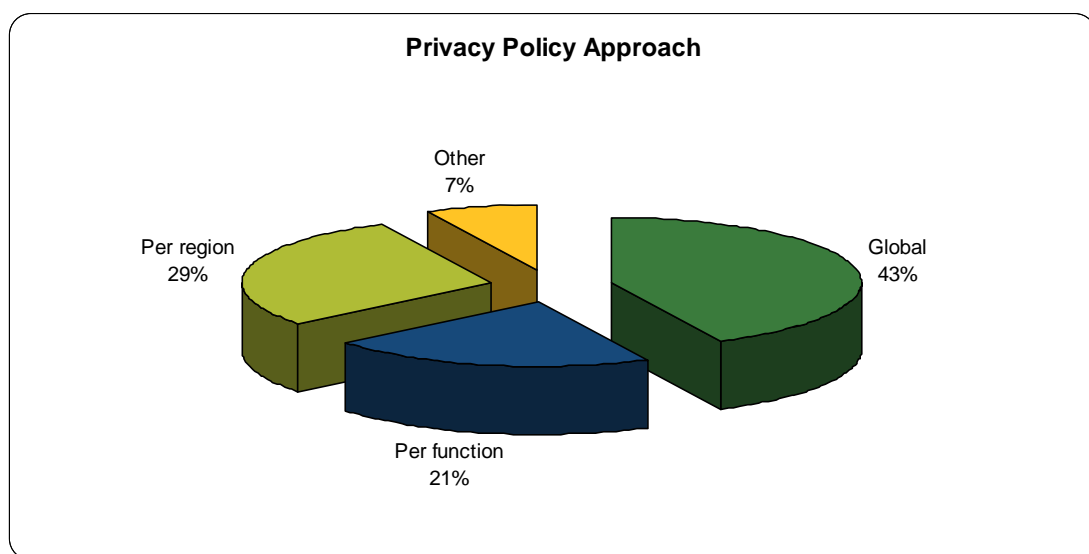


Figure 5: Privacy Policy Approach

From an implementation perspective, a number of topics were clearly much more difficult than the respondents had anticipated as shown in Figure 6. Chief among these, at 80% of respondents indicating it was harder than expected, was alignment across different regimes and this is consistent with what could be considered a failed attempt to achieve alignment resulting in the high percentage of respondents who have policies that vary by region.

The second group that was more difficult than expected included third party contracts and other contractual clauses as well as registration with the regulatory authorities. Clearly there is room for the regulatory authorities to improve the registration process.

A second set of topics was generally more balanced relative to expectation as shown in Figure 7 and includes setting up the privacy organization, privacy communications, web statements and privacy training.

Considering the above from a different perspective, internally controlled items were generally consistent with expectations in terms of implementation whereas those items that involved external parties were more difficult.

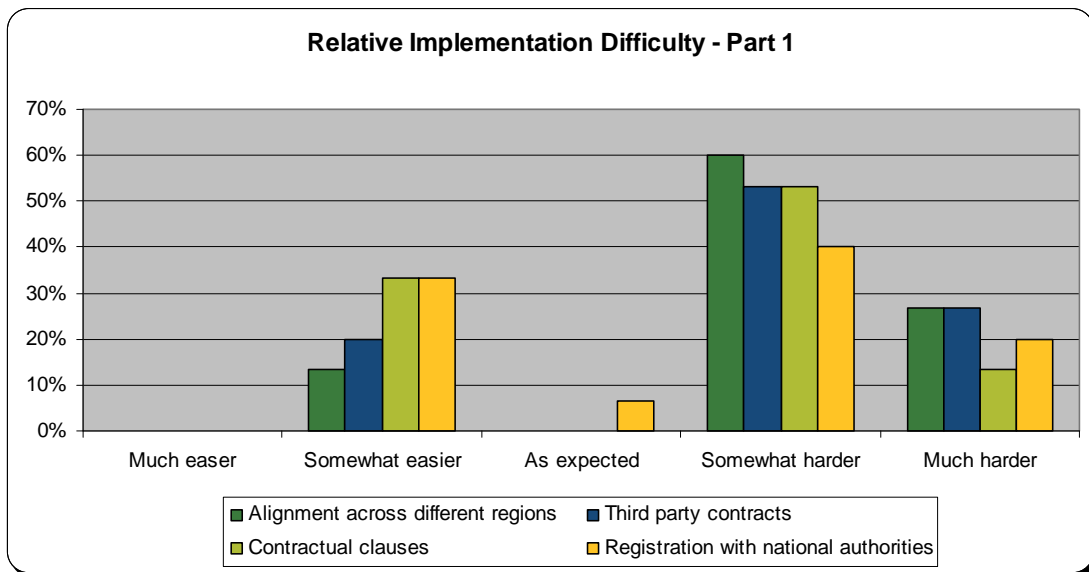


Figure 6: Relative Implementation Difficulty Group 1

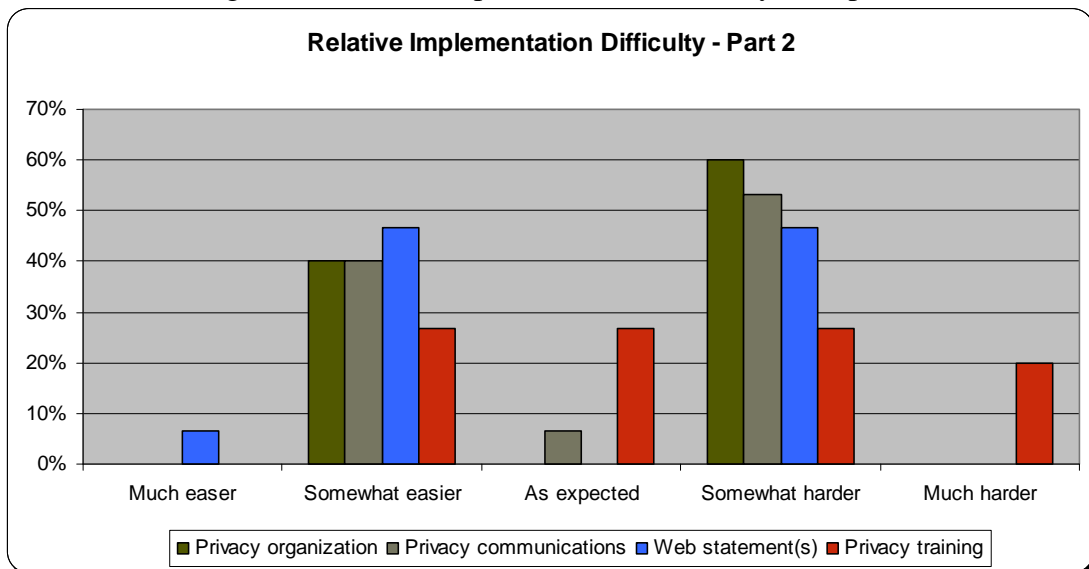


Figure 7: Relative Implementation Difficulty Group 2

With respect to how privacy compliance is confirmed, self audit is the most common (above 80%) approach with external audits still being relatively uncommon (less than 30%).

4.5.4 Privacy And Outsourcing

In terms of how companies deal with external parties with regards to privacy, interestingly as shown in Figure 8, a lack of privacy policy does not result in automatic non-engagement with an external party. However, as shown in Figure 9, the reality is that in such situations, data transfers are avoided – this likely represents the reality that not all outsourcing relationships need to transfer data.

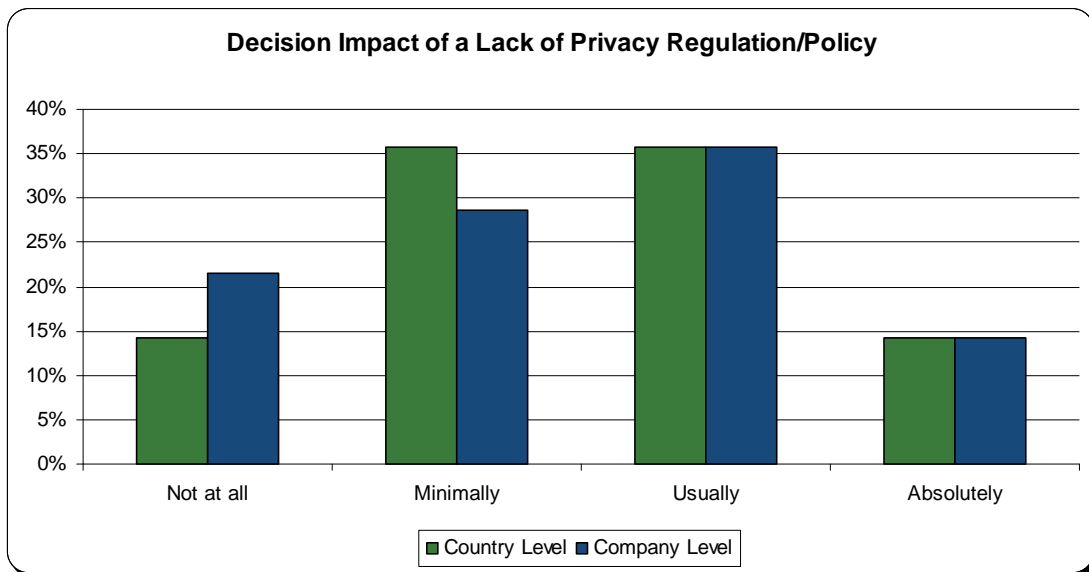


Figure 8: Decision Impact of Lack of Privacy Policy

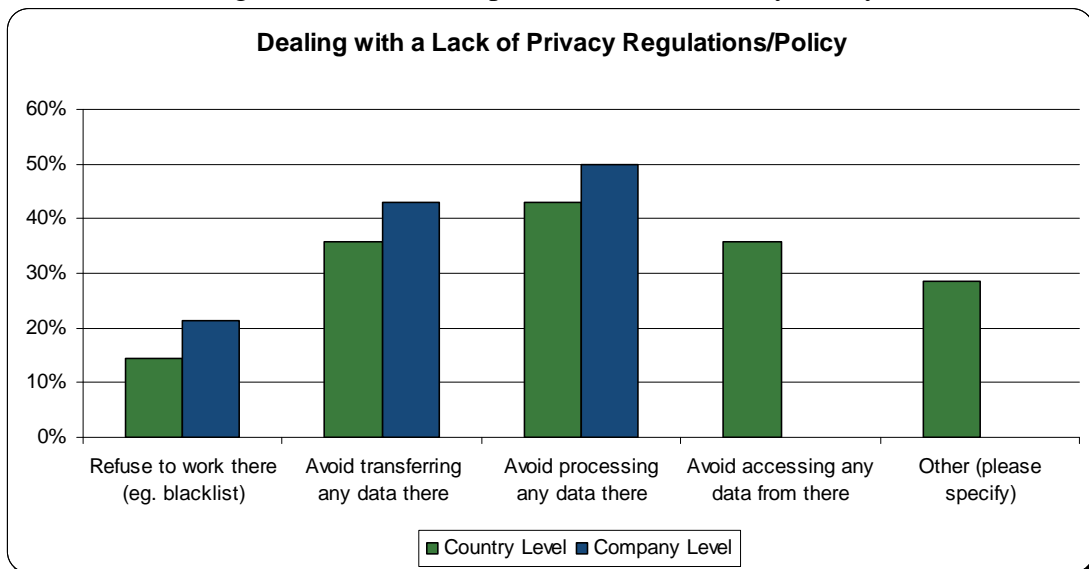


Figure 9: Dealing with a Lack of Privacy Policy

Where it is necessary to work together with a third party, as Figure 10 shows, the predominant approach is to require the third party to comply with one’s privacy framework, much more dominant than allowing the use of the higher of their standard and your own. This likely reflects a difficulty in confirming that the other party’s standard really is higher.

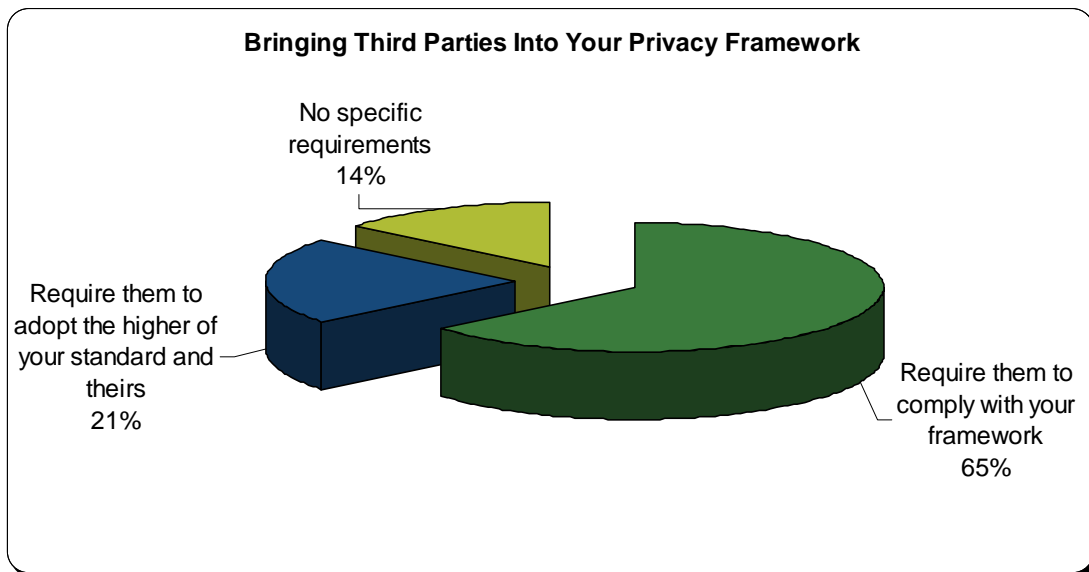


Figure 10: Bringing Third Parties into Your Privacy Framework

Where outsourcing contracts are established, the vast majority (70%+) contain privacy related service levels and further, financial compensation (39%) as well as termination (48%) are the predominant contractual rights.

4.5.5 Privacy Regimes

In addition to country-based processing, other common privacy regimes were applicable to many of the respondents as shown in figure 11.

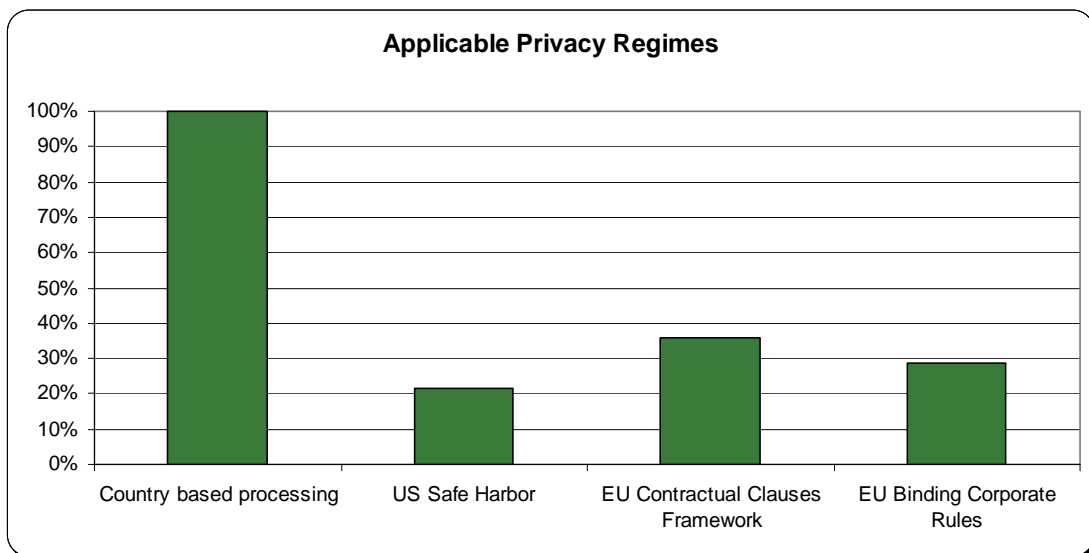


Figure 11: Applicable Privacy Regimes

Overall, those regimes were considered appropriately comprehensive as shown in Figure 12.

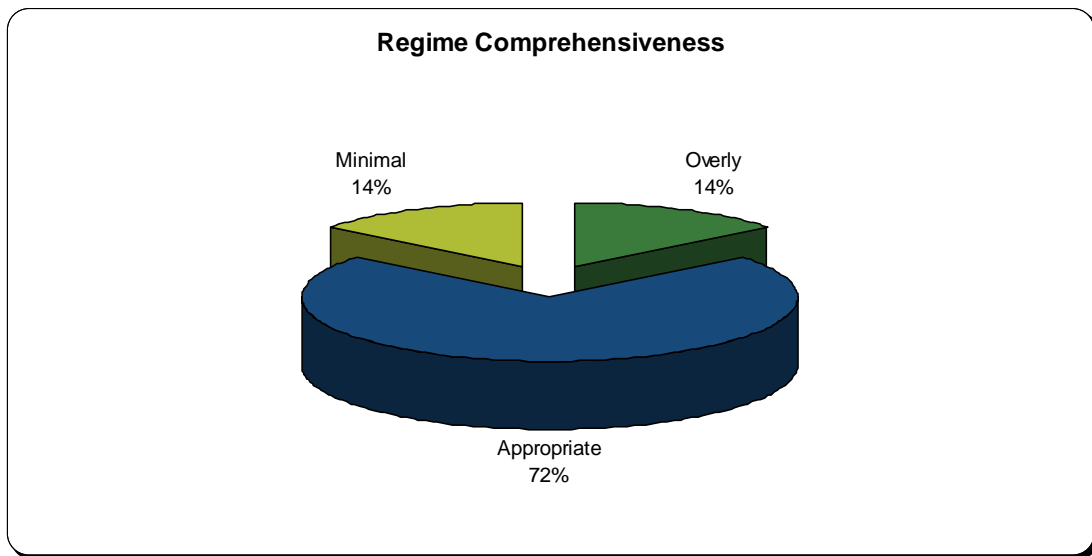


Figure 12: Applicable Privacy Regimes

With respect to privacy regulators, four key issues, as shown in Figure 13 were highlighted. These issues were re-enforced through the dominant suggestions for privacy regime improvement as shown in Figure 14 – clarify rules and align with other regimes.

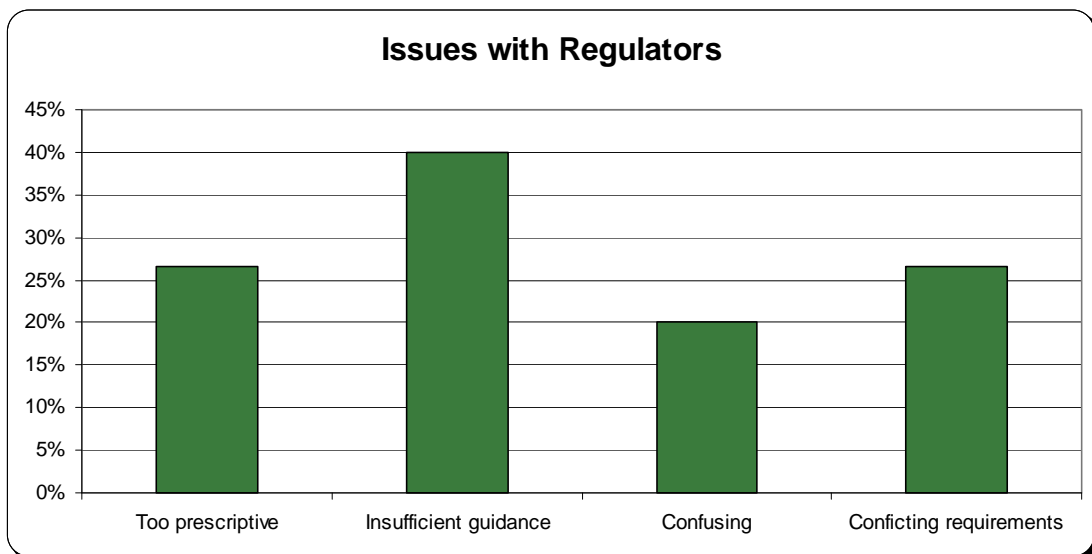


Figure 13: Issues with Regulators

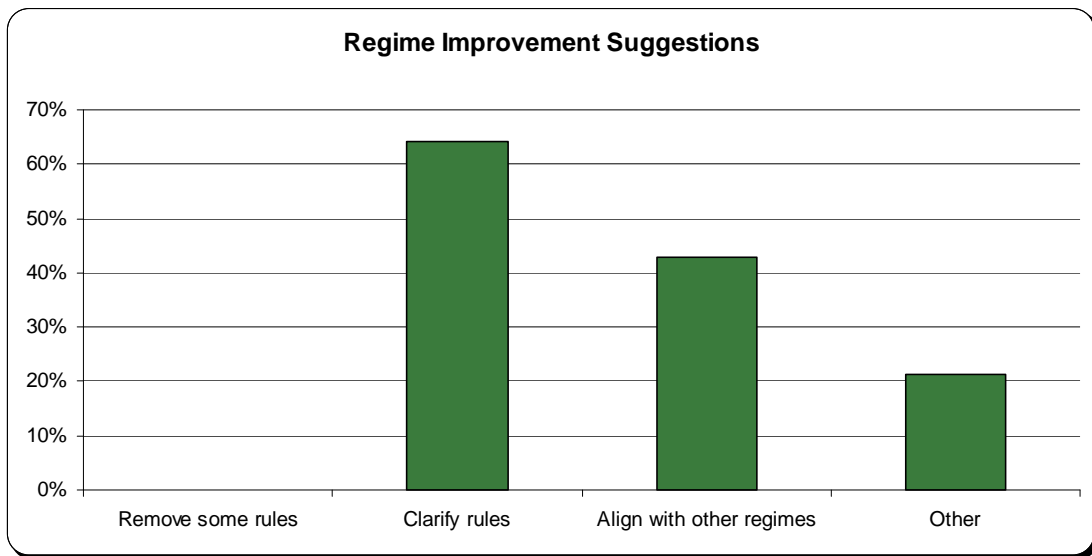


Figure 14: Regime Improvement Suggestions

5. Conclusion

GBDe will continue the activities noted below in order to improve consumer confidence in cross-border e-transactions and looks forward to continuing positive cooperation with businesses, governments, and related organizations in each country.

GBDe aims to:

1. Continue dialogue with stakeholders for the implementation of ICA-Net and its global expansion.
2. Support trustmark-related activities in Asia-Pacific countries for its further expansion.
3. Continue to focus on implementation issues with regards to data privacy and steps to simplify and unify requirements.