Development of Internet-dependent industries

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Abstract

Foreign trade is a multilevel, multifaceted, multi-vector and multi-subject phenomenon, which can embrace development of other substantial and functional models. Scientific and technical progress led to active involvement of information in foreign trade and emergence of specific information market. Currently it is impossible to imagine a successful economy without developed system of data networks, their active usage by producers and consumers. Dynamic development of foreign trade resulted in Internet-commerce functioning within its network. Legislation of any country, regulating foreign trade activities of persons and companies must be based not only on internal specifics of a given state but on international legal standards as well.

The study is based on an analysis of main models of Internet commerce in the Russian Federation and China, and considers the main characteristics of such objects. Internet became a powerful instrument for developing new technologies of conducting business and accumulation of capital. Transition to e-commerce will stimulate unprecedented economic growth and deep transformation of business and economy.

Keywords: law, legislation, international organization, business, economy, e-commerce, Internet, commerce, globalization.
**Introduction**

Digital capabilities of state and society influence the prosperity of the population, therefore very close attention is payed in the world to the data, digital resources and data systems. It becomes self-evident that the bigger digital capabilities of the state make it more capable to pursue and achieve strategic preferences and economic prosperity. By the end of XX century as a result of a global telecommunication network of Internet, information processes started to become internationally important. Globalization as a global trend of development of modern society embraces all spheres of human activities, including jurisprudence. It makes necessary establishment of supra-national legal rules, regulating social relations. At present, we witness a clear strengthening of integration processes in legal systems, which entails the change of their structure and emergence of regional and global models of law. [1, p.50]

Dynamic information transformations in modern society require their complex analysis and understanding by the legal science, which still haven't worked out sustainable theoretical positions for forming the legal base of closer digital integration of states. Studies of information phenomena within the legal sciences are mostly limited to enclosed theoretical field. As a result, constantly developing digital processes are analyzed restrictively by the narrow branch disciplines of jurisprudence. It requires the search and selection of cross-branch complex approaches in scientific studies of legal regulation of international digital exchange.

**Main part**

New quality of life resulting from globalization and guarantees of human rights and interests throughout all global digital space need new approaches in considering current humanity problems. The United Nations recognized the right of Internet access as an unalienable right. This resolution was adopted after Syrian government turned off Internet access across the country as a measure to prevent coordination of opposition.

Formulating and adopting of international legal documents, which define the cross-border regime of creating and use of data, including those transmitted by global telecommunication networks currently has a patchwork character. Their emergence is often a result of spontaneous development of digital society with all its contradictions. Therefore the states sign supranational legal acts without detailed analysis of their compatibility with national legal traditions. The leading digital countries are actively searching for the ways of convergence between international and national legislation, which sets basic parameters of legal regulation of digital exchange on international level. The practice of high-level meetings between the heads of national agencies competent in the digital sphere is an evidence of this search. But these actions so far did not result in normative legal acts, which could become a basis for practical legal regulation. This can, to some extent, be explained by the lack of scientifically proved criteria and basic parameters of developing and adoption of legal acts, which are a foundation for legal regulation of relations in digital sphere on an international level. For example, on 16.12.2015 Dmitry Medvedev participated in II World Internet Conference in China. He stated that “The Internet must remain an open, global and a distributed resource. At the same time, there must be some elements of state governance of the Net, this is unavoidable.” He further noted that “In legal terms, the Internet is a new and highly complicated area of regulation. The legal framework is lagging behind the rapid development of information sharing and technology. How can we distinguish between online and offline jurisdictions? How can we guarantee people’s right to privacy? How can we protect copyright and other exclusive rights? Who will ensure the smooth operation of critically important Internet infrastructure? Who will distribute accounts and addresses? In other words, what international structure will do this, and what will be the rules?” [2] As far as “gray zones” exist in the legal field,
the control over the Internet will be fragmented into national sectors.

The necessity to develop multilateral model of Internet governance by international organization is long overdue. The international digital security requires immediate formulation of universal rules of states' conduct in the digital field. In 2015 the member-states of Shanghai Cooperation Organization drafted the rules of conduct in the sphere of international information security, which were submitted to the UN so as to prevent conflicts in the digital sphere.

The goal of economic cooperation between Russia and China is to pursue maximum national interests, but the globalization makes traditional national interest more flexible. While the country enjoys the benefits of international trade and investments, the interests of a sovereign state must also be limited by international rules, international practice and other countries' policies. But there is a difference in understanding of benefits between countries. Interests of one country may focus differently from the other. Therefore the cooperation often witness rivalry, contradictions and even misunderstandings. From the economic point of view it is recognized that Russia's accession to the WTO gives both Russia and China opportunity for development. But at the same time it must be understood that it does not mean automatic complete access to the Russian market. Russia took a number of protective measures in many spheres. For example, the retail of imported goods is prohibited without description in Russian language and certificate of origin; chemical, biological, radioactive substances, industrial waste and some other goods that are imported to Russia for the first time, especially foodstuffs, require registration; sanitary certificate is necessary for industrial, agricultural and construction materials. For some goods Russia may temporarily increase or prolong customs duties. Russia may adopt unified customs protection, unified licensing or discriminatory payments against some imports through the Customs Union between Russia, Belarus and Kazakhstan. [3, p. 172-188] As a result, China will inevitably face new challenges from Russia and other countries during economic cooperation. [4]

States' concerns about legal regulation in the digital sphere is understandable. Firstly, more than a half of the world's population uses Internet. Many IT companies entered international markets. This sector will keep its active development thanks to e-commerce and e-services (including public services). With its extensive territory, embracing 11 timezones Russia is interested in equal smooth access for all citizens and organizations to the World Wide Web. Secondly, both China and Russia are in the process of important social and economic transformation and recovery. Both countries face a strategic goal of supporting economic growth, strengthening stability and improvement of population welfare. This is the reason for constant increasing of economic cooperation between two countries. In 2015 volume of bilateral trade between Russia and China exceeded 80 bn USD. Growth rate of bilateral trade for January-May 2015 increased 20% in comparison to the same period of 2014. The volume of Chinese-Russian trade is expected to exceed 90 bn USD in 2015. China and Russia strive to increase the volume of trade to 100 bn USD by 2016 and to 200 bn USD by 2020. China became the largest trade partner for Russia. Thirdly, Internet became a powerful instrument for developing new technologies of conducting business and accumulation of capital. Transition to e-commerce will stimulate unprecedented economic growth and deep transformation of business and economy.

Currently there are two basic models of Internet commerce. The first one – is a full-scale Internet store, which includes web-showroom, own operational and logistic systems, storehouse etc. The second model implies middleman's functions which means that after receiving order middleman buys goods from the wholesaler and delivers it to the client. These models should be introduced in Russia and developed in China. Globalization and digital revolution finished prerogative of developed countries in e-commerce. In 2011 global market of e-commerce was estimated at 700 bn USD, including 34% for the US, 29% for Europe, 27% for Asia and 10% - for
all other regions. The main vector of development moves to Asia, which hosts potentially colossal markets of China, India, Thailand and Malaysia.

This trend is proved by the fact that the main Internet shopping portal “Alibaba” is one of the largest traders of the world by the number of served clients, second only to American Amazon and Ebay. Chinese public company Alibaba Group working in e-commerce administers several bodies, including Alibaba.com (Alibaba China, Alibaba International), which is the main asset of the company, b2b trading service; AliExpress.com – online retail service (with charge-free delivery by China Post Air Mail, retailer receives payment only upon delivery), TaoBao.com – consumer-to-consumer online shopping platform (all goods may be purchased through AliExpress), AliPay – online payment platform. It provides consumer-to-consumer, business-to-consumer and b2b sales services. Participants use unified software and database of goods, sorted by regions and economic spheres. [5]

On 28.08.2014 the company announced official report [6] which stated that revenue in the first half of 2014 was 2,54 bn USD or 1,99 bn USD of income (182% rise in comparison to 2013). The number of active users rose to 279 mln people which 50,81% more than in 2013 and 9,41% more than in previous quarter. [7]

The main feature of Internet markets in all developing regions is an extensive growth through rise of number of buyers, who seek economic benefits in Internet. Meanwhile, developed countries witness intensive development i.e. growth of volume of e-commerce per each consumer through customization and networking of Internet shopping. The projected growth of sales is 25% for China, 19% for Brazil, 50% for India. In well-established markets like US, Canada, Europe, South Korea and Japan, these numbers do not exceed 10-12%. Meanwhile some developing countries have already reached the level of e-commerce, which is comparable to developed countries.

On the other hand, Internet trade in the Eurasian Economic Union (Kyrgyzstan, Armenia, Russia, Kazakhstan, Belarus) is regulated by the unified price and weight limits for international postal services, which are set by the EEU Commission. At the same time Belarus adopted in February 2016 other rules, which set stricter limits for imports. Therefore, currently the flow of e-commerce is changing from Belarus to Russia. Russia is considering initiatives to limit import of goods, ordered in Internet, by price and weight, taking Belarus as an example.

Russian Minister of Telecom and Mass Communications Nikolay Nikiforov during the VII Gaidar Forum “Russia and the World” on 16.01.2016 noted that “the state is an important investor in infrastructure of modern economy, developing the communication services, network of high-end technology hubs, exports of software from Russia. One of the priorities – is to raise attractiveness of the Russian jurisdiction for IT companies and for headhunting through more attractive work and life environment and possibility of participation in global ambitious projects”. [8]

The direct contribution of Internet in the Russian economy is estimated at 2,2% of GDP. Though, information technologies and Internet influence much more sectors, which are assessed by experts at 116 trln rubles (about 13% of GDP). Almost one sixth of our economy is Internet-dependent, according to Nikiforov. [9] In 2015 the state’s interest in development of Internet sector resulted in establishment in March 2015 of a non-commercial agency “Institute for Internet Development”. This was a continuation of proposals submitted in October 2014 during the “Russian Interactive Week” forum as well as the long-term program of development of the Russian sector of Internet and Internet-related economy.

But still, these trends did not find their direct reflection in legislation. Adoption of several laws is expected in 2016 only. The evident change in legislative initiatives in 2014-2016 was just a product of difficult geopolitical situation, mutual sanctions and need for digital sovereignty of
Russia, limiting of information and technological dependency of our high technologies sector.

The Russian Association for Electronic Communications provided an expert study [10] of legislative initiatives during 11 months of 2015. 38% of them were rated neutrally or positively which is a progress, comparing to 23% in 2013-2014.

The Russian President's address to the Federal Assembly in 2014 noted that one of the largest projects could be establishment of privately-owned Russian companies for e-commerce in exporting Russian goods worldwide. [11]

This proposal was supported by the Russian businessman Ruslan Baysarov who offered to create a financial and legal service to support Russian companies in attracting investments and establishing contacts in foreign markets and playing important functions – from retail to business-incubators – for Russian start-ups with inventions or original ideas for export. [12] The main goal of this project is that any product of Russian origin will be protected under Western legislation.

Besides, since 2004 the sectoral forum of Russian Internet “RIF+KIB” is held annually under the auspices of the Federal Agency for Press and Mass Communications. [13] In 2015 the analytical service of the Russian Association of Electronic Communications presented a report “Internet in Russia: current situation, trends and perspective development”, which cites statistics of e-commerce. [14] 63% of active Internet users use online payments for goods and services. 49% of users transfer money to other persons online. 28% of users were shopping in Internet through forums and less than a half – 31% - were shopping in foreign e-shops. As a result, in 2014 the volume of cross-border trade (e-commerce) was 19.1 bn rubles which is 42% more than a year before. This data shows trends of development in Internet industry and its influence on the country's foreign trade.

Concerning the practical aspects of legal regulation, the Russian Association of Electronic Communications formulated proposals for improvement of legislation as it was agreed upon during the experts forum on Internet and development of electronic democracy under the auspices of the Committee for Information Policies, IT and Communications. [15] The proposed amendments concern Civil code, Civil Litigation code, Criminal code, Administrative Offenses code, Tax code, Law on criminal investigations, Law on personal data, Law on information, information technologies and protection of information etc. The amendments are supposed to update the definitions and terms like “Internet”, “Internet-site”, “hosting provider”, “domain name”, “Internet service operator”, “service company” and “Internet user” as well as to harmonize the laws with a new edition of the Civil Code.

The harmonization of the Russian legislation with international principles and norms is also under way, including legislative adoption of the principle of “data transfer only” when provider of technical communication, data storage or search service can not be held responsible for the contents which he transmitted without modifications unless he disobeyed court order to remove this data. Moreover, it is planned that signing of some international agreements will resolve the issues of defining the limits of the Russian jurisdiction in relations concerning the use of Internet.

It is proposed to amend the rules of commerce concerning the rights of retailer, return of accessories in case of returning of shipment, time limit for dealing with the consumers' complaints. It is also proposed to include the definition of “marketable condition”, to amend the definition of remote selling and the moment of concluding the contract.

The software, developed by the Russian Institute for Internet Development is no less interesting. Currently its site provides access to several beta-versions of programs. One of these programs deals with development of the Russian segment of Internet and Internet-related economy spheres. The work is divided into four parts: human capital (health, education, labor), business environment (sectors and segments of Internet economy, industry, energy, finance, retail), state
(public services, governance, security), media and communications (press, media, Internet commercials). Most interesting are the 2nd and 3rd parts, concerning business environment and state administration. Unlike RAEC, the Institute for Internet Development pays attention mostly to the mechanisms of introduction of Internet into life of society. Experts of the Institute highlight the following key directions of development: introduction of protective customs duties for import of consumer appliances and electronics, if analogues are produced in Russia; cancellation of customs duties for import of electronic components to Russia; study of procedures for introduction of electronic digital signature for persons and organizations, for receiving and use of resistant digital signature; improvement of security for contracts between companies and persons and between persons through enhanced transparency and technologies; defining stimulus measures for retail exports of Internet-shops; development of self-regulation in Internet-commerce, support of self-regulating organizations and their coordination with existing agencies; introduction of digital security culture, including lessons of “computer hygiene”; development of infrastructure for investigating cyber-crimes; studies of possibilities for creation of digital sovereignty for Russia and member-states of the Customs Union, analysis of influence of the Russian digital sovereignty on its citizens, economy and politics; support of import substitution projects, including priority use of Russian content and services by the state bodies and agencies, spread of their presence in media space.

Is it was noted above, the software of the Institute for Internet Development has more applied character than the recommendations of the RAEC, which have exclusively legal nature. At the same time, the Institute's software is just a framework sketch, reference point. Despite the rationale, included in the draft, we believe that all proposals of the Institute require detailed economic and legal study.

**Conclusion**

To sum it up, a large number of international organizations deal with unification of electronic commerce. But as a result, only some detailed issues are regulated and the e-commerce as whole is left unregulated. Therefore, arise some problems of compliance between current international agreements and practice of commercial relations, which use electronic exchange of information.

It goes without saying, that there is omission in the legal regulation of trade in goods through Internet which result in problems with the protection of consumers. Therefore we must pay attention to the following directions of development of legislation and conflicts resolution in long-distance e-commerce.

Firstly, the systematization of legislation on remote selling of goods is necessary to establish unified rules of electronic markets and to improve the legal definitions in this sphere.

Secondly, it is necessary to create a normative base to facilitate self-regulation for businessmen in remote Internet trading, including notification list of domains and its owners / traders which could resolve the problem of taxation in e-commerce.

Thirdly, the legislation must provide guarantees for simple Internet users like:

1. obligatory explanation about the features of any electronic contract before its conclusion, including by the information intermediaries.
2. legally-set list of minimum data provided during conclusion of electronic contract, forms of such data.
3. legislative requirement of obligatory registration of commercial sites and providing information about the company, which publishes its information there, and the information intermediary.
4. responsibility for information middlemen for not submitting such data.

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