

GLOBALIZATION OF TRADE AND E-CONTRACTS

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Abstract:

The relationship between globalization and the adoption of a particular set of ICTs, namely the internet and electronic commerce, at the firm level, the goal is to move beyond general arguments about these megatrends and to look at their actual dynamics in the operations of business establishments. This paper examines the impacts of globalization on ecommerce and firm performance as the process of globalization has preceded the adoption of the Internet and e-commerce in time. The findings show that Globalization has differential effects on business to business and business to customer e-commerce, however highly global firms are more likely to do business to business but less likely to do business to customer. The findings imply that e-commerce will reinforce existing international competitive advantages rather than levelling the playing field and enabling local firms to compete with global firms in international markets. In fact local firms may have valuable resources that put them at a competitive advantage in their home market. The purpose of this study is to find out the role of e-commerce in the era of globalization and how people use or take advantage of e-commerce.

Keywords: E-Commerce, Internet, Trade Contracts, Globalization; ICT; E-Commerce; Firm Performance

Introduction:

The growing globalization in information technology also has an impact on electronic commerce (e-commerce) and the occurrence of trade contracts. Trade contracts or agreements are made by the parties through an electronic system, meaning that the parties do not meet face to face. The concept of e-commerce certainly provides advantages or advantages in its use when compared to conventional concepts. Some of the advantages or advantages of e-commerce are that information can be obtained in more detail, quickly without any time limits, including places and the transaction process is much easier to do. The primary drivers of globalization have been manifested at the 'wholesale' stage of the industry. In contrast, important features of the broker-customer interface have perpetuated a multi- locational competitive structure at the retail stage of the industry. Nevertheless, actual and potential competition has been significantly increased by the spread of e-commerce at all stages of the industry. E-commerce innovations encourage both standardization and variety within an increasingly competitive industry. Global value chains are being reshaped by rising demand and new industry capabilities in the developing world as well as a wave of new technologies. In this era of globalization, the development of science and technology has been increasing rapidly. The discovery of the internet and thereby the evolution of information technology which are capable of helping people in exchanging information with anyone, has revolutionized relationships within organizations and those between and among organizations and individuals. The ICT is being used by the firms to deliver their services at the locations convenient. Specifically, the use of ICT in business and marketing has enhanced productivity, encouraged

greater customer participation, and enabled mass customization, besides reducing costs. Two major powerful social and economic trends are globalization and the widespread adoption of ICT. Many argue that these two trends are closely associated, each driving the other forward, and both being driven by other common forces, such as trade liberalization, deregulation, migration, and the expansion of capitalism. Pohjola argues that the twin forces of globalization and the ICT revolution are combined to create the so-called new Economy, marked by higher rates of economic and productivity growth. Technology is both driven by and a driver of globalization, as both forces continually reinforces one another. The process of globalization creates new challenges and opportunities for firms. The opportunities include access to new markets and participate in global production networks that are becoming prevalent in many industries such as automotive, electronics, toys and textiles. Globalization has many positive, innovative and dynamic aspects, all related to the increased market access, increased access to capital, and increased access to technology and information which have led to greater income and employment opportunities. Challenges come from foreign competitors entering firms' domestic markets, and from domestic competitors reducing their costs through global sourcing, moving production offshore or gaining economies of scale by expanding into new markets. Globalization challenges firms to become more streamlined and efficient while simultaneously extending the geographic reach of their operations. Globalization creates integration of national economies into a world market through trade, investment and other financial flows. It has caused anxiety worldwide about the direction that society is taking. Globalization as an economic phenomenon linked with the development and consolidation of the global market. Today globalization may be said to be covering the expansion, deepening and acceleration at planetary level of the reciprocal connections between all aspects of community life, from culture to crime, and from finance to religion. The world is turning into a single social space, shaped by complex economic and technological forces. New problems and challenges for society have emerged. Events occurring, decisions taken and measures introduced in one part of the world can have profound effects on the lives of individuals or communities in another. The impact of these changes is so immeasurable that governments and individuals can do little to contest or resist them. Globalization is characterized by four major trends:

- a. Increased flows of commodities and persons
- b. Expansion and diversification of financial activities
- c. Development of communication, networks, knowledge and relationships
- d. Increasing disparities, even though it must also be recognized that overall wealth has increased enormously as a result of globalization and of the more open trade it has brought – both globally and for many rapidly evolving countries such as China and India, and in the transition countries in central and eastern Europe.

E-Commerce :

E-commerce is usually associated with buying and selling over the Internet, or conducting any transaction involving the transfer of ownership or rights to use goods or services through a computer- mediated network. Though popular, this definition is not comprehensive enough to capture recent developments in this new and revolutionary business phenomenon. A more complete definition is: E- commerce is the use of electronic communications and digital information processing technology in business transactions to create, transform, and redefine relationships for value creation between or among

organizations, and between organizations and individuals.

E-Commerce and Globalization :

Globalization and e-commerce are expected to change economic structure of nations. The expected superior economic structure is mainly influenced by the above two factors. In literature the new structure is generally referred as Knowledge Economy, New Economy or E-economy. E-commerce not only reduces communication costs, but also increases flexibility in locating activities. Research posits that internet technology has led to an increase in international trade. E-commerce benefits internationalization in two ways: There is a direct substitution of e-business technology and processes for physical locations, manual processes, or other expediting functions. E-commerce reduces coordination costs, which can reduce the costs of working with those foreign subsidiaries still required because of the nature of the product or service or because of regulation or cultural issues.

Globalization and E-Commerce Adoption :

A Firm globalization is heralded as a key driver of e-commerce diffusion .It is expected that highly global firms are likely to employ e-commerce more intensively than less global firms. Firms facing foreign competition are under greater pressure to adopt technologies such as e-commerce that enable them to protect or expand market share and operate more efficiently. Firms doing business outside their own country may be more motivated to lower their transaction costs (such as search for information, negotiation, and monitoring of performance) by using information technology. Using the Internet for transactions and coordination can save time and money on delivery of goods by using rich information flows to simplify and streamline the flows of physical goods in the supply chain. Globerman and his colleagues apply Porter's theories to e-commerce specifically. They contend that the impacts of e-commerce differ across various stages of an industry's value chain, and that purchase of business inputs (B2B) is becoming globalized while purchase of end services by consumers (B2C) tends to remain localized. They focus on the retail brokerage industry and conclude that retail (B2C) e-commerce is relatively unaffected by globalization and is characterized by multi- domestic competition due to the heterogeneity of consumers and different national regulatory systems. By contrast, they find that e-commerce for wholesale brokerage activity (B2B) is more globalized. As a result, they argue that e-commerce is not inherently a globalizing force, but one that can actually enhance local competitive advantage Similarly Steinfield & Klein argue that rather than fostering seamless global markets equally open to all businesses, much e-commerce activity (particularly B2C) is regionally focused Steinfield and his colleagues furthermore argue that local businesses can develop Web strategies that successfully leverage their local physical presence. Thus, firms that leverage their local presence with their online business strategy may have competitive advantage over firms with only virtual presence, for several reasons. First, embedment in pre-existing relationship enhances consumer trust and recognition of online firms. Second, integrating online business with local presence helps to serve diverse consumer preferences and shopping habits and takes advantage of local knowledge. Finally, such firms can take advantage of an existing infrastructure for delivering physical goods and services. Research at the country level suggests that global convergence may take place in B2B e-commerce through integration of business processes and systems, but B2C e-commerce seems to remain more of a local phenomenon due to national divergence in

consumer preferences and habits. Based on the combination of theory and empirical findings, we hypothesize that globalization has different effects on B2B versus B2C ecommerce adoption, with highly global companies engaging more in B2B and less global companies engaging more in B2C. Since B2B e-commerce constitutes large majority of ecommerce activity as higher levels of B2B carried out by global firms would dwarf the advantage of local firms in B2C, leading to higher overall ecommerce adoption by global firms.

1. Firms that are highly global will have a greater overall level of e-commerce adoption.
2. Firms that are highly global will have higher levels of B2B e-commerce adoption.
3. Firms that are highly global will have lower levels of B2C e-commerce adoption

Globalization and Firm Performance :

There is a direct relationship between firm globalization and firm performance. It is expected highly global firms to perform better in terms of increased sales, lower costs, and improved competitive position. It is likely that global firms will realize greater impacts on performance, because they can employ knowledge and resources developed throughout their global operations to improve business processes and more effectively deploy ecommerce technologies. Global firms are also in a better position to benefit from e-commerce as they can achieve economies of scale and global reach. Globalization should also have an indirect effect on performance through e-commerce adoption, since highly global firms will use ecommerce more extensively, and extensive use will result in improved performance. Ecommerce adoption will thus mediate the effects of globalization on firm performance. These direct and indirect effects of globalization should have additive functions. This leads to our and fourth and fifth findings.

- E-commerce adoption will mediate the impacts of globalization on firm performance.
- Firms that are highly global will experience greater performance improvements since adopting ecommerce.

E-Commerce Adoption and Firm Performance :

Adoption of new information technologies is expected to result in improved firm performance, such as reducing transaction costs and closer coordination of economic activity among business partners. E-commerce specifically (B2B) is predicted to result in lower coordination or transaction costs due to automation of transactions online, as well as productivity and efficiency gains. E-commerce also is expected to facilitate entry into new markets or extension of existing markets. It is expected the extent to which firms adopt e-commerce to lead to specific types of performance improvements. To illustrate, we would expect a firm that uses the Internet for sales and marketing, for procurement, and to coordinate and share information with suppliers and customers would see greater impacts on performance than one that simply has a website with marketing information. If this is the case, then there should be a direct relationship between level of adoption and firm performance, in terms of increased efficiency, coordination, and sales and market position. This leads to our sixth findings.

- Firms with a greater level of e-commerce adoption will experience greater impacts on performance

Core Legal Issues of Transnational and Global Subjects of Regulation :

At first glance, the legal problems caused by transnational activities in the three branches of law appear to be heterogeneous and difficult to categorize. If the crux of the legally relevant changes is analyzed, however, in terms of activities that affect several states, engender legal decisions that must be enforced in foreign territory, or raise issues that can only be solved on a global level, two fundamental problems become clear. In all three major branches of law, the issue is, on the one hand, the transnational applicability of law and enforceability of law in foreign territory and, on the other hand, the need to cope with new global challenges that overwhelm the regulatory capabilities of individual nation states a. Transnational Applicability and Enforceability of Law.

Legal Challenges in a Globalised Trade

1. Jurisdictional Issues
2. Enforceability of E-Contracts
3. Consumer protection and data privacy

Conclusions :

The researcher in this paper attempted to survey the relationship between globalization and the adoption of a particular set of ICTs, namely the Internet and electronic commerce, at the firm level. This paper examined the impacts of globalization on e-commerce and firm performance as the process of globalization has preceded the adoption of the Internet and e-commerce in time. This research shows the relationship between globalization and e-commerce. The findings imply that e-commerce will reinforce existing international competitive advantages rather than levelling the playing field and enabling local firms to compete with global firms in international markets. The local firms may have valuable resources that put them at a competitive advantage in their home markets. These include local knowledge, strong brand names, distribution channels and service infrastructure. These resources can be an advantage in B2C e-commerce and are not easy for global firms to replicate in each national market around the world. This implies that less global firms can look for opportunities in local markets rather than trying to use the Internet to reach far-flung international markets. If these firms do want to expand into global markets, they are more likely to do so by adopting B2B e-commerce to break into the global production networks for multinational corporations than by trying to sell directly to foreign consumers. The findings show that Globalization has differential effects on business to business and business to customer e-commerce, however highly global firms are more likely to do business to business but less likely to do business to customer. The findings imply that e-commerce will reinforce existing international competitive advantages rather than levelling the playing field and enabling local firms to compete with global firms in international markets. In fact local firms may have valuable resources that put them at a competitive advantage in their home markets.

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