

THE IMPACT OF THE LACK OF DATA PROTECTION REGULATIONS ON THE DEVELOPMENT OF E-COMMERCE IN LEBANON

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ABSTRACT

In this paper, we will discuss how the lack of regulations could be affecting the development of e-commerce in Lebanon. The growth of online activities required the elaboration of legal frameworks worldwide, in order to preserve user privacy and protect personal data. But unfortunately, Lebanon is still lagging behind in this area.

The ICT sector in Lebanon is growing, but still not able to compete with other countries in the region.

There is an IT draft law struggling to be enacted, but economic, social and political factors are preventing the law on e-transactions and personal data from being passed in parliament. This is affecting the consumers' trust and pushing them to avoid buying and paying online, because of the lack of security and personal data protection. And one way or another, this is obstructing the e-commerce boom.

Lebanon could have a promising future in e-commerce, but has to move forward in adopting regulations.

Categories and Subject Descriptors

K.4 [Computer and society]

General Terms

Economics.

Keywords

E-Commerce, ICT sector, Lebanese Legal Framework, Lebanon, Personal Data Protection, Privacy.

1. INTRODUCTION

E-commerce has known significant growth over the past years, and no one doubts its important impact on the economy, especially in developing countries like Lebanon.

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Despite the numerous well-known advantages of e-commerce, this new way of doing business is giving rise to many privacy and trust issues, which can affect its development and growth, mainly in developing countries.

Online firms are using new technologies to collect their customers' personal data. Surely, this collection can be very advantageous, and the examples are many in this case (data collection from smartphones can give information on traffic jams...) [8]; but the main problem is when this personal data is used inappropriately and affects the customers trust in online commerce.

Let's begin by defining what personal data is. According to the OECD privacy guidelines, it is "any information relating to an identified or identifiable individual (data subject)." Examples of personal data are: user-generated content, activity data, social data, locational data, demographic data, official data [9].

In order to preserve privacy and protect personal data, many countries have set a legal framework to guide online activities. Unfortunately, Lebanon, a developing country, has not yet passed any law or regulation on this issue. This could be affecting Lebanese consumers, who find online payment difficult and untrustworthy. Should it be considered as one of the major obstacles facing the development of e-commerce?

2. LEBANON ICT SECTOR

In the last few years we have noticed growth in the ICT sector in Lebanon at an annual rate of 7.7% over the period 2008-2013, mainly due to the development of the Lebanese infrastructure and networks, broadcast capacity, Internet speed and skilled ICT labor force. But still, this growth falls short of enabling Lebanon to compete with other countries in the region. According to the ICT development index (IDI), we are still behind internationally and regionally, as Lebanon ranks 52nd internationally and 5th regionally. [1]

Small and Medium firms are the main actors in the ICT sector. An obvious shift from the fields of distribution and sales towards the sector of content generation and innovation (mainly software and application development) is observed.

The development of ICT industries is hindered on one hand by the lack of political motivation and inadequate competition due to privacy issues, and on the other by low quality and inefficient coverage of infrastructure despite the recent investments to improve it, and the high-cost connection. But the main obstacles

remain trust and confidence in the sector, due to the lack of regulatory frameworks and high cybersecurity threats.

Computer penetration rate in Lebanon is still low, but the demand for personal computers and tablets is increasing for households and businesses. Also, Internet access and usage rate is increasing (66% Internet penetration rate in 2014). [2]

The software development sub-sector is growing steadily at an average annual rate of 7% over 2008-2013, but slowly due to the lack of software privacy enforcement and laws.

Foreign direct investments and multinational ICT firms (Microsoft, Cisco, Intel, Aramex, etc...) perceive the Lebanese ICT sector as promising for investment.

The Lebanese government, the Central Bank of Lebanon and venture capital funds are promoting the development of the ICT sector. But significant lack of political and regulatory frameworks is the main reason why Lebanon was ranked 94th out of 144 countries on the Network Readiness Index in 2012. [1]

Table 1. Network Readiness Index

Country	Arab Rank	Global Rank /144	Score (1-7)
Qatar	1	23	5.10
UAE	2	25	5.07
Bahrain	3	29	4.83
Saudi Arabia	4	31	4.82
Oman	5	40	4.48
Jordan	6	47	4.20
Kuwait	7	62	3.94
Egypt	8	80	3.78
Morocco	9	89	3.64
Lebanon	10	94	3.53
Algeria	11	131	2.78
Libya	12	132	2.77
Yemen	13	139	2.63

Source: BankMed. 2014. Analysis of Lebanon's ICT sector.

3. LEGAL FRAMEWORK

As early as 1996, a law for the adoption of e-signatures was proposed but perceived as incomplete. In 2002, the Ministry of Economy and Trade had developed a legal framework for e-commerce in Lebanon. The draft was finalized end of 2006 by the parliamentary IT committee, but never made it to the Parliament for voting. After 8 years, in 2010, the IT draft was considered obsolete, and needed a full update. The new draft was expanded to cover all themes in relation to e-transactions and personal data: e-signature, e-transactions, e-payment, e-banking, domain name management, consumer protection, privacy, copyright and cyber-crimes. Since 2012, the draft has been in the hands of the joint parliamentary committees for revision, but in light of the political turmoil in the country, it is difficult to predict a date for enactment.

The need for a legal framework is highlighted by the dominance of "Threat Reputation Abuse and Defamation via Internet/Phone"

(56%) and "Theft of Electronic Account and Use it for Criminal Purposes" (18%).

Table 2. The latest reported figures on cyber-crime in 2010 as reported by the TRA

Nature of Attack	Number of incidents	%
Threat of Reputation Abuse, Extortion and Defamation via Internet / Phone	285	56%
Theft of Electronic Account and Use it for Criminal Purposes	92	18%
Online Fraud and Impersonating ID's	48	9.8 %
Disturb and Bullying over the Internet / Phone	27	5.35 %
Theft and Use of Stolen e-mail	8	1.6 %
Credit Card Fraud	8	1.6 %
Falsification of Touristic Sites and Disseminate them via Internet	4	0.8 %
Online Gambling Games	11	2.18 %
Money Embezzlement and Bank Accounts Fraud	4	0.8%
Fraud of Telephone Calls	2	0.4 %
Software Piracy and Theft of Programs & Designs	1	0.2 %
Sexual Exploitation of Children Online	14	2.8 %
Total:	504	

Source: Telecom Regulatory Authority (TRA) figures on cyber-crime in 2010, Presentation in Haigazian University, ICT Security, 13 January 2011

4. ISSUES AFFECTING DATA PROTECTION IN LEBANON

4.1 Causes of the delay

Several factors are preventing and delaying the enactment of the law for e-transactions and personal data:

4.1.1 Political and stability issues

Lebanon suffers from a volatile environment and is deeply affected by regional conflicts. War with Israel in 2006, the resigned governments, the delay in presidential and parliamentary elections and the spillovers of the Syrian conflict are just some of the factors contributing to instability.

4.1.2 Economic priorities

Lebanon has major economic priorities and is striving to tend (or not) to them, from infrastructure to the supply of electricity, health, education and the burden of Syrian, Iraqi and Palestinian refugees. And the least important priority of all right now is the development of telecom and networks infrastructure.

4.1.3 Socio-economic structure

Lebanese bureaucracy, in addition to the involvement of the private sector in the revision of the law (as it will be affected by its implementation) and that of all political parties, are major obstacles that should be taken into consideration.

4.2 Lack of regulations and e-commerce

Lack of regulations has several repercussions on the growth of e-commerce in Lebanon:

4.2.1 Competition with regional countries

International and local firms are choosing to launch their online operations from neighboring countries (where regulations are already established) rather than from Lebanon.

4.2.2 Online payment and security

Consumers are more willing to pay cash on delivery than to use their credit cards for online purchases due to lack of trust in the level of security and the personal data protection.

4.2.3 Consumer trust

Although there are two Lebanese payment gateways acting as an alternative to the use of credit cards in online transactions, consumers tend to avoid them in the absence of protection or arbitration rules in case of a transactional dispute.

4.2.4 E-Signature

The non-implementation of secure e-signature is dissuading global third party online payment processors, Paypal for instance, from penetrating the Lebanese market.

5. CONCLUSION

According to the United Nations Conference on Trade and Development (UNCTAD) 2015 information economy report, Lebanon ranked 51st in the B2C e-commerce index 2014 in light of its promising future in the adoption of e-commerce. UNCTAD stated that Lebanon should invest more in the legal framework of e-commerce, particularly secured e-transactions, consumer protection, privacy and data protection, and the suppression of cybercrime.

Could the lack of regulations, bureaucracy, the non-computerization of public institutions and the outdated published data be reducing the risk of data leakage, and in a way protecting Lebanon that is under high surveillance?

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