

# Privacy regime, culture and user practices in the cyber-marketplace

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## Abstract

**Purpose** – *The purpose of this study is to examine the congruence between policy supply and demand in Internet privacy as moderated by culture.*

**Design/methodology/approach** – *This study consists of the two parts. The first part qualitatively examines policy harmonization efforts among Asian-Pacific nations. The second part, based on survey findings, quantitatively analyzes differences between the US and Korean college students in regulatory attitudes toward information privacy. The aim, drawing on regime theory as a departure, is to measure the policy genesis and its effectiveness in operation.*

**Findings** – *The findings are two-fold. First, contrary to the expectations, the notions of online privacy rights among the Korean respondents are strongly formed, with the regulatory demands widely shared with the US participants. Second, however, there exists a gap between the beliefs of information privacy rights and daily practices – the duality far more magnified among the Korean respondents.*

**Practical implications** – *The results suggest the incongruence of the consensus between the two levels – of policymakers and of online users of different cultures.*

**Originality/value** – *While most studies focus on internet policy genesis alone, this paper measures the policy effectiveness in its consumption to capture the operation of cultural values in everyday practices. Policy implications and alternatives for developing nations are discussed in the specific context of Asian-Pacific nations.*

**Keywords** *Internet, Privacy, Public policy, Electronic commerce*

**Paper type** *Research paper*

## Introduction

Conflicts among nation-states reemerged with the arrival of the network society (Castells, 1996). First, digital landscapes, the internet, established the virtual marketplaces that rendered commercial transactions beyond geographical dispersions of citizens. Second, it became highly contestable to establish a cyber-marketplace rule that incorporates conflicting social norms and visions deriving from different cultures. What kind of rule and norm should be implemented for what? The aim of this study is to examine the moderating role of cultures in promoting or curtailing the convergence of online marketplaces. While most policy studies (e.g. Yamazawa, 1992) focused on institutional bargaining process alone, this study expands the debate to measure the effectiveness of a policy in its operation. Informed by regime theory, this study tests the viability of a global privacy policy that is being implemented in the Pacific Rim as it aims for cyber-market integration in neglect of cultural differences in privacy.

## Framework

International regime theory posits that an effective policy regime emerges when a global consensus develops on sets of implicit or explicit principles and norms in a given area of international affairs (Braman, 2004). Here norms are collective beliefs of fact, causation or

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rectitude in terms of individual rights and obligations that are unique to a particular society. The challenge is then to identify underlying divisions of norms that hinder the emergence of a viable policy, and to explore regulatory solutions. The study follows from this challenge. The task is to examine whether the policy construction of virtual marketplaces is congruent with the emergence of norms in place despite cultural differences in the notion of privacy.

This study is organized into two parts. The first part qualitatively examines the origin of online privacy policy harmonization efforts among Asian-Pacific nations, i.e. how a particular policy regime emerges. The second part, based on survey findings, quantitatively analyzes cultural differences in public norm – the element that is singled out from regime theory to understand the policy operation in practice. The strategic aim, in qualitative and quantitative integration, is to explore the nature of a global consensus in each of the two levels – of policymakers and of users – and to measure the incongruence between the two.

### *Case study*

The Asian Pacific Economic Cooperation (APEC) serves as a case. First, political economic powers within member states differ from developed countries (e.g. the US and Australia) to developing nations (e.g. Malaysia and China). Second, the region encompassing the east and the west is markedly varied in cultural values. Such political, economic, and cultural asymmetries condition the cyber-marketplace where online users, with different nationalities, merge. Nevertheless, the effectiveness of the privacy regime that is being implemented in such contentious marketplaces is rarely examined. This study fills this vacuum by comparing the regulatory experiences of two nations. The study selects: the US for its regulatory impacts on other nations, and South Korea, a developing nation of the east, for its rapid rollout of cyber-infrastructure and the exponential growth of online population – the pattern other Asian nations are likely to follow.

### **Policy supply**

#### *The emergent regime of the APEC*

First drafted in 2003 and endorsed in 2004, the Asian Pacific Economic Cooperation (APEC) privacy initiative is an ambitious step toward developing an Asian-Pacific privacy standard (Greenleaf, 2004). The current draft, the eighth version of the original, upholds the principle of “industrial self-regulation,” based on the nine items of 1980 OECD guidelines: notice, choice, integrity, security, access, correction, accountability, collection limitation, and preventing harm (Asian Pacific Economic Cooperation, 2004). Since its inception, there have been at least more than ten APEC meetings at the levels of ministerial or working groups, e.g. TEL Working Group/E-commerce Steering Group, which accelerated the policy convergence.

The speedy cyber-rulemaking process in the APEC is facilitated by two reasons. First, the expedited drafts are motivated by the incentive to integrate the virtual e-markets of the Pan Pacific Rim, i.e. free flow of marketplace information across borders. Second, the Safe Harbor battle between the EU and the US lessened the region to implement a rule that is not vulnerable to one state’s regulatory peculiarity. That is, the trans-Atlantic regulatory asymmetry, which resulted from the strict EU data directive, sensitized the US to develop a regional standard that can preempt the incompatibility of national rules (Heisenberg and Fandel, 2004).

The APEC Initiative stated:

The potential of electronic commerce cannot be realized without government and business cooperation to develop and implement technologies and policies. . . . APEC economies realize that a key part of these efforts must be cooperation to balance and promote both effective privacy protection and the free flow of information in the Asia Pacific region (Asian Pacific Economic Cooperation, 2004).

From the text, it is clear that the Initiative in its genesis is different from the EU directive that approaches information privacy protection as a human rights concern. Rather, the goal of the APEC initiative is to establish the interoperability of the virtual rules for the region’s

e-commerce to function. In short, the APEC Initiative is a transnational rulemaking effort to establish the “stability and predictability” of e-commerce to move beyond the current level of integration into the Pan Pacific-Asian virtual marketplace (Chen and Chen, 2004).

### *Policy import*

Note the absence of explicit legal measures in place regarding the collection, sharing, or secondary use of personal data in South Korea, however (Chung *et al.*, 2001). Under the principles of the OECD (and soon to those of the APEC), voluntary dispute resolution between vendors and consumers is highly encouraged, e.g. Personal Information Dispute Mediation Committee (Electronic Privacy Information Center, 2005). The Ministry of Information and Communication also provides e-industry subsidy for vendors complying with the “Trust Mark” program. The “Trust Mark” is an equivalence of the Truste/Seal list in the US, which aims to provide self-regulatory industrial protection (that is, a weaker standard than that of the EU “opt-in” option).

The import of industrial self-regulatory code in its entirety should not be surprising. It indeed agrees with the developmental policy model in far-east Asian nations (Venturelli, 2002). That is, the government imports a policy that is workable with other nations for a fast development of e-commerce industry, while leaving the innovation of regulatory options to advanced nations. The IP Power E-Korea Initiative, for instance, is a national economic plan to construct predictable e-market infrastructures and to transform Korea into a member of the network society. In fact, the Korean government, with the volume of e-commerce that reached US\$333.1 million in the market of 22 billion online users in 2002 (National Internet Development Agency of Korea, 2001), has the imperative to establish the interoperability of its e-market condition with that of the Pacific Rim.

Here critical is to consider that most developing nations in the APEC lack an institutional enforcement mechanism comparable to that of the US or the EU. Moreover, among the APEC nations of the east, only Japan has sectoral privacy protection equivalent to that of the US. Implementing minimum levels of policy protections as de fault is problematic because enforcement capabilities are unlikely to develop in such regulatory platforms. In other words, the policy planning in developing nations remains geared toward economics advantages, not human rights concern, of information flow – often formulated in national initiatives of championing into “digital hubs” (see Jackson and Mosco, 1999).

Thus it is a mistake to regard the APEC privacy policy formulation as a zero-sum game. It is never a one-way imposition from superpowers to developing nations (Yamazawa, 1992). Neither is the case of the Korean government acting on behalf of commercial interests, captured by e-commerce industry. Note the voluntarism in the interaction between two factors: the force of international market integration, and political instabilities in developing nations. For developing nations, resisting unidirectional policy import is too costly to justify “delayed benefits” (Goldring, 1999). For developed nations, the desire for access to the Pan-Pacific market, with the world’s highest growth rates, sustains (Ravenhill, 1999). The “voluntary” consensus derives, not from the convergence of a set of ideas or beliefs on the notion of privacy, but from the interests of the region’s political economy.

### **Research question**

Then, how does the policy consensus that emerged based on the region’s interest address cultural understandings of privacy? Exploring users’ regulatory attitudes is significant because, if online privacy rule is to govern the users of multi-nations, the interoperability should occur not only at the level of the policymakers, but also at the level of the users in their policy consumptions (Kahin and Keller, 1997). To be identified is how cyber-marketplace norms that are emerging among the region’s users create incongruence between the regulatory supply and demand.

## Policy demand

### *Prior studies*

No survey challenged a specific international privacy regime in light of cross-cultural comparison. A majority of earlier studies have examined public privacy concern at the national level. Westin (1998), for instance, developed a typology of consumers by the degree of their privacy concerns: highly concerned, medium concerned, and disinterested groups. Lee (2000) applied this typology into policy perceptions of the US college students and adults, identifying privacy protection absolutists, negotiated (compromised) protectionists, and "information free flow" advocates. A study by Turow (2003) advanced the discussion by examining policy awareness of online consumers in the US and identified the incongruence between policy assumption and marketplace realities (also Turow *et al.*, 2005).

Some studies directly challenged "industrial self-regulation" in the US policy context. For instance, Culnan and Armstrong (1999) found that most websites did not abide by the FCC privacy guidelines, while a majority of consumers strongly desired procedural fairness that is explicitly stated for processing their personal data. Most survey findings consistently indicated the incongruence between the levels of protection and the increasing public demand for online privacy (e.g. Culnan, 2000; Fallows, 2006; Hoffman *et al.*, 1999; Phelps *et al.*, 2000). In line with these findings, this survey expands the discussion into global marketplaces. Yet the scope of the survey goes beyond privacy concern to identify policy consumption in its operation. The comparison between the users of Korea and the US is to provide the picture of "dominant cultural practices" against which the policy regime is being implemented in the Pacific Rim.

## National-culture

A particular nation exhibits cultural characteristics associated with particular sets of shared beliefs, that is, "national-culture" (Hofstede, 2001). Here culture is defined as "a collective programming of the mind that distinguishes a group or category of people from another" (Marchewka and Yu, 2004, p. 19). Culture provides people with sets of acceptable behaviors and norms within a society (Kim and Bonk, 2002). In addition, culture influences individual perceptions and forms shared beliefs. In short, people learn established customs and moral standards from observing others and extract the rule governing specific judgments exhibited by others (Bandura, 2002).

Individualism-collectivism index concerns the degree to which people in a nation act on their own or as members of groups (Hofstede, 2001)[1]. Cultures with high individualism emphasize a pursuit of self-interests, while high collectivism defines the self in relation to the group to which he/she belongs and values in-group harmony (Lu *et al.*, 2004). East-Asian nations of Confucian traditions belong to collectivistic cultures with emphasis on the goals of the group over personal interests. On the other hand, European/Anglo-American nations were found to exhibit a strong sense of individualism associated with high expressions of privacy concerns (Teske, 2002; Westin, 1967). The USA and Korea were found remarkably differentiated on the Individualism Index, with the USA at the high end but Korea close to the bottom (Hofstede, 2001; Inglehart and Welzel, 2005).

## Literature review

### *Internet experience*

A recent study by Kim and Bonk (2002) reaffirmed the collective nature that prevails in young Korean students. The study of online discussion groups found that the young Korean students tended to be more risk averse, less competitive, and less aggressive in pursuing personal goals at discussion settings than western counterparts. The study went on to report that while the US students were more action-oriented and pragmatic in seeking solutions, Korean students were found more socially and contextually driven online. A study about online relationship by Yum and Hara (2005) also found different patterns of self-disclosure

between the US and Korean college students and suggested a greater tendency of Koreans for “face saving” less associated with immediate or explicit pursuits of online interaction. These findings are reinforced by Rhee and Kim (2004) who examined Korean Internet adoption patterns. The study found the strong influences of family members in individual uses and adoptions of the internet, indicating that individual-oriented technology such as the Internet is appropriated in a collective sense. Although the studies did not examine privacy *per se*, evident is the influence of social environment in online user attitude and behavior. In other words, what these findings indicate is the possible operation of the collectivism in virtual world that prioritizes harmony over expression of individual rights. If this holds true, Korean respondents may well emphasize collective goods (e.g. national e-commerce development) over asserting individual rights, while the US respondents feel comfortable about pursuing personal goals online. The support of developmental logic will be manifest when privacy creates the conflict between individual rights and national growth.

### *Public concern*

According to Westin, 1967, information privacy is a culturally defined concept, with individualism highly associated with expression of privacy concern (Larson and Medora, 1992). Bellman *et al.* (2004) also found that cultural values were associated with different levels of privacy concern. To our knowledge, however, no empirical study was conducted to measure the extent of public concern regarding the secondary use of personal information in Korea. Existing sociological analysis (e.g. Kho, 1998) indicated that Koreans perceived privacy as a matter of concern for those with criminal and shameful histories or as a non-significant matter of luxury. Lee (2004), in his comprehensive overview of information laws in South Korea, deplored the lack of public awareness of information privacy, urging for institutional reform. The recent poll also suggested that an overwhelming majority of Koreans put economic growth over civil rights concern as the most important issue for the government to address (*The Korea Times*, 2007). Factor analysis by Kim *et al.* (2003) in fact showed that while the US consumers selected privacy as one of the criteria based on which they evaluate website quality, privacy did not emerge as a significant factor for the Korean online shoppers.

These observations need caution, however. The result of the 2002 presidential election showed intergenerational gaps in political and civil attitudes between old and younger populations (Rhee and Kim, 2004), and their resistance to the traditional notion of authority. Nonetheless, it is hard to predict that young college students form strong awareness of information privacy away from established social practices. Also what anecdotal evidence, e.g. wiretapping scandals of celebrities or politicians, suggests is the high level of the public concern about unwanted publicities of intimate private lives, not about commercialization of personal data or its flow. One study cautiously noted, “from the fact that in Korea personal data have been always processed without individual consent, it is hard to assume strong formation of public awareness for information protection needs, yet” (Kho, 1998, p. 104, translated).

Empirical studies conducted in the US found that most American consumers regard the secondary use of personal information as invasion of privacy, when the knowledge or consent of the consumer was tacit (Culnan, 1993). Sheehan (2002), however, reported more pragmatic tendency of college students in dealing with online privacy. Still, note the outcries since 9/11 that sensitized the public about the level of privacy protection (Turow, 2003). Pew Internet survey in fact found that about 21 percent of the young teenagers was aware of the danger of privacy violation in personal communication online, such as e-mail (Jones, 2002). Metzger (2004) also found that college students were generally aware of privacy concern, despite their willingness to give out personal information within a confined social network setting. According to Lee (2000), the college respondents, regardless of different levels of regulatory demand for online privacy, strongly agreed upon the necessity of “notice and choice” before allowing companies to make the secondary use of personal information (e.g. Hoffman *et al.*, 1999). From this, it follows that the different levels of public concern will be manifest between users of two nations in their tolerance of the secondary use of personal information.

### *Government involvement*

Few attempts were made to identify the relationship between cultural differences in privacy concern and regulatory protection. According to Milberg *et al.* (1995), there was a correlation between a nation's regulatory approach for privacy and individual beliefs in privacy. The nations with "no privacy regulation" were found associated with low levels of information privacy concerns in the public, whereas the countries with high or moderate level of regulatory protection were associated with high levels of privacy concerns. The study by Bellman *et al.* (2004) challenged this posited agreement between the public "demand" and the policy "supply" in information privacy. Their finding in fact indicated that consumers from countries with no regulation desired more privacy regulation. Thus, the empirical findings are mixed. However, this study follows other public policy research in general, given consistent findings that linked levels of public demands and regulatory measures in other domains (e.g. Brettschneider, 1996). Page and Shapiro (1983), for instance, eloquently pointed out the overall congruence between public preference and government policy orientation. If then, Korea with the low level of institutionalized privacy protection (i.e. no equivalent level of protection to the EU directive) should be associated with the low level of privacy regulatory demands in the public.

The US case needs caution. Some critics complained about the absence of privacy policy in the US. Yet the critique is accurate, only when compared with the 1996 EU Data Protection Directive. Note that the US privacy policies consist of sector-by-sector patchworks of which the level of protection is higher than those of most developing nations[2]. It is not the lack of any policy, but the absence of a unified formal policy that characterizes the US privacy landscape (Langenderfer and Cook, 2003; Bygrave, 2004).

### *Individual factor*

Individual differences within a nation, however, are perceivable. The theory of reasoned action posits that individuals' actions often result from the pressure to perform a socially desirable behavior (Fishbein and Ajzen, 1975). Yet the strength of the desire to conform to social norms varies from person to person, depending on their experiences with the beliefs. In other words, there exists a correlation between the significance of a certain social norm as perceived by individuals and their attitudes toward the norm (McLeod *et al.*, 2002). If then, Korean users' attitudes toward online privacy would vary depending on the extent to which an individual values a certain set of collective norms. That is, users who share less of collective beliefs will be expressive of individual privacy rights that may contradict established social norms.

### **Hypotheses**

- H1.* Korean online users are more likely to believe that information privacy can be compromised for collective goals than the US users.
- H2.* Korean online users are more likely to tolerate the secondary use of personal information than the US users.
- H3.* Korean online users are less likely to support regulations of information privacy than the US users.
- H4.* Among the Korean users, those with low levels of collective beliefs are likely to assert strong information privacy rights.

In combination, we posit that the national-culture as manifest through online experience, public concern, government involvement, and individual attitudes will play a role in regulatory attitudes of users from respective nations.

### **Method**

#### *Sampling*

The two nations served as a case of contrasting cultures (the east vs the west) and economies (the developing vs the developed), standing for the regional asymmetry. Participants were the college students of the introductory classes at two major universities in

Korea and the US ( $n = 325$ ). While the focus was on the Korean users ( $n = 198$ ), the US subjects ( $n = 127$ ) functioned as a baseline group for comparison.

There were advantages of using such samples. First, homogeneous demographic characteristics (see Table I) allowed us to observe the differences in regulatory attitudes under roughly equivalent conditions. Second, the young populations make up a majority of new media cultures in both nations[3]. Third, the samples also provided an opportunity to observe the enduring role of culture in the young minds despite intergenerational gaps within each nation (Inglehart and Welzel, 2005).

### Operational definition

Privacy has four dimensions (Middleton *et al.*, 1997). The first is the unwanted publication of intimate private facts. The second is the obtainment of a person's privacy by means of a physical or technological invasion. The third is the distorted portrayal of personal data. The fourth is appropriation – the secondary use of personal data for commercial reasons. In cyberspace, a particular concern is on appropriation, exacerbated by the open architectural nature of the internet enabling data-profiling (Lessig, 2000). Based on the OECD guidelines, three dimensions of gathering, transferring, and retaining personal data are included:

1. *Personal information*. Information that can be associated with an identification of an individual (Culnan, 2000).
2. *Secondary use*. The use of personal information other than the original purpose at the time of collection.
3. *Information privacy rights*. The ability of an individual to control information about oneself (Milberg *et al.*, 1995).

### Dependent variable

According to Lessig (2000), code is law. Note that code has two aspects: an explicit formal rule and implicit codes behind. The survey concerns implicit social codes behind an explicit formal rule. A distinction between the public concern of online security (e.g. identity theft or hacking) and privacy (e.g. data profiling) is critical. Both notions are often conflated in a number of surveys that purport to measure perceptions of information privacy.

Based on international regime theory that stipulates the role of "sets of implicit or explicit principles and social norms" (Cogburn, 2003), this study formulated the two aspects in the notion of information privacy:

1. Beliefs of online privacy rights.
2. Beliefs of "rectitude" of commercial use of online personal data.

### Survey construct

The survey asked two questions in large. The items in the first section asked what it is that users believe online privacy rights actually are. The items in the second section concerned what the public believes online privacy policy should be, i.e. how they believe the government should regulate the flow of online personal data. The aim is to capture normative regulatory beliefs pertaining to a particular nation-culture through the two dimensions.

<b>Table I</b> Sample characteristics		
	USA ( $n = 127$ ) (%)	Korea ( $n = 198$ ) (%)
Daily online use	96.1	80
Spam exposure	95.3	98
Online shopping <sup>a</sup>	91.3	80.4
Gender (female)	70.4	55.8
Technical efficacy <sup>b</sup>	12.6	1.5

**Notes:** <sup>a</sup>Shopped online at least once in past few months; <sup>b</sup>identified themselves as expert users

Question items were modified from the surveys by Turow (2003) and by Ribak and Turow (2003) and the focus group interview by Lee (2004). Informed by the pre-established items, the survey aimed to establish the criterion validity of each item. The seven-likert scale (strongly disagree to strongly agree) was used to capture sensitivities of intercultural differences. Most questions were presented as statements that asked for individual levels of agreement. Other items included the measures of individual attributes: online exposure, gender, perceived confidence on technicality, and actual behavior in rectifying the violation of privacy rights (e.g. Culnan, 1993; Culnan and Armstrong, 1999; Turow, 2003).

### Procedure

The questionnaire, first written in English, was translated by the author and revised by a Korean graduate student with professional survey experiences in South Korea. The challenge was to maintain the equivalence between Korean and English questionnaires. To ensure this, a pretest was conducted on the Korean adults who lived for more than 25 years in Korea, followed by back-translation. The survey was administered at a major Korean university in Seoul on the second week of October, 2004. The US participants were drawn from a subject-pool at a major mid-western university. The respondents were unaware of the comparative nature of the survey.

### Data analysis

Descriptive statistics were to identify overall characteristics of the two samples. In order to observe between-group differences in mean score, t-tests were conducted. For categorical variables, the Chi-square test was used. Multivariate-regression analysis was conducted to observe the effects of individual differences within each sample.

### Results

Overall characteristics of the two samples did not differ in terms of: the frequency of internet use per week, the exposure to spam, and the frequency of online shopping (see Table I). However, the US sample had a bigger female proportion (70.4 percent) than the Korean sample (55.8 percent). Also, the US respondents exhibited more technical confidence than the Korean subjects.

#### H1

*H1* predicted that the Korean online users are more likely to believe that privacy rights can be compromised for the benefit of society than the US users. The *t*-test results moderately supported this proposition (see Table II). There was a significance difference in the first item between the two groups ( $t = 2.03$ ,  $d = 0.33$ ,  $p < 0.05$ ). However, the mean for the Korean respondents was 4 (SD = 1.56), with as many as 33.7 percent of the respondents disagreeing with the statement.

#### H2

*H2* suggested that the Korean online users are more likely to tolerate the secondary use of personal information than the American users. The support for this proposition was weak

**Table II** Comparison in collective beliefs

	1. Balance		2. Community		3. Development	
	<i>n</i>	<i>SD</i>	<i>n</i>	<i>SD</i>	<i>n</i>	<i>SD</i>
USA	3.66	1.33	2.92	1.33	3.52	1.25
Korea	4.00	1.56	3.04	1.30	3.42	1.87
<i>t</i>	2.03*		0.79		-0.52	
Differ.	0.33		0.12		-0.09	
Combined	3.87	1.43	2.99	1.31	3.46	1.65

**Notes:** \* $p < 0.05$ ; 1. Balance, 2. Community, and 3. Development are the three dimensions of collective beliefs as measured in each item (Appendix)



(see Table III). The first item showed a significant and sizable difference between the respondents of two nations ( $t = -2.71$ ,  $d = -0.78$ ,  $p < 0.01$ ). Also, the level of the awareness of privacy rights “notice and choice” among the Korean users was lower than that of the US users ( $t = -2.29$ ,  $d = -0.28$ ,  $p < 0.05$ ). However, in the second item, the level of tolerance for profiling among the Korean respondents was even lower than that of the US respondents ( $t = -2.55$ ,  $d = -0.77$ ,  $p < 0.05$ ).

### H3

H3 predicted that the Korean users are less likely to support regulations of online information privacy than the US counterparts. The results did not support this hypothesis. Table IV shows that the Korean respondents, more strongly than the US respondents, believed that the government should exercise more control over the sharing of personal information between companies ( $t = 3.72$ ,  $d = 1.04$ ,  $p < 0.01$ ). Moreover, the levels of the regulatory demands among the Korean respondents in other items were similar to those of the US respondents (see Table IV).

### H4

H4 proposed that, among the Korean users, those with low levels of collective beliefs are likely to assert information privacy rights. Pearson correlation results provided the support for the hypothesis. Table V shows that the items that measured collective beliefs were found negatively correlated with the items that asked about information privacy rights and regulatory demands, indicating the negative association between users’ favorable attitudes toward collective norms and the assertiveness of online privacy rights.

#### Daily practices

The normative beliefs of online privacy rights, however, did not transfer to the respondents’ daily practices. A majority of the Korean respondents (60.6 percent) reported that they do not consult privacy policies when they visit websites. Most Korean respondents (85.2 percent) indicated that they have never asked online companies not to transfer their personal data to third parties (see Table VI). Furthermore, only 27.3 percent of the Korean

**Table III** Comparison in information privacy rights

	1. Collecting		2. Profiling		3. Transferring		4. Notice and choice		5. Notice and choice	
	<i>n</i>	<i>SD</i>	<i>n</i>	<i>SD</i>	<i>n</i>	<i>SD</i>	<i>n</i>	<i>SD</i>	<i>n</i>	<i>SD</i>
USA	6.49	0.79	3.81	1.34	5.66	1.31	6.59	0.71	6.55	0.81
Korea	5.70	3.20	3.04	3.22	6.21	4.23	6.48	0.84	6.27	1.24
<i>t</i>	-2.71**		-2.55*		1.43		-1.25		-2.29*	
Differ.	-0.78		-0.77		0.55		-0.11		-0.28	
Combined	6.01	2.57	3.34	2.67	6.00	3.41	6.52	0.79	6.38	1.10

Notes: \* $p < 0.05$ ; \*\* $p < 0.01$ ; 1. Collecting, 2. Profiling, and 3. Transferring are the three dimensions of the secondary use of personal data as measured in each item. Notice and choice are two primary regulatory principles of information privacy rights (Appendix)

**Table IV** Comparison in regulatory demands

	1. Collecting		2. Profiling		3. Transferring	
	<i>n</i>	<i>SD</i>	<i>n</i>	<i>SD</i>	<i>n</i>	<i>SD</i>
USA	2.45	1.41	6.39	1.09	5.22	1.44)
Korea	2.43	1.81	6.45	0.79	6.26	2.93
<i>t</i>	-0.09		0.62		3.72*	
Differ.	-0.01		0.06		1.04	
Combined	2.44	1.66	6.43	0.92	5.85	2.50

Notes: \* $p < 0.01$ ; 1. Collecting, 2. Profiling, and 3. Transferring are the three dimensions of the secondary use of personal data as measured in each item (Appendix)

**Table V** Correlations between the breakdown of collectivism and the assertiveness of privacy rights among the Korean respondents

	1. Balance	2. Communality	3. Development
<i>Information privacy rights</i>			
1. Collecting	0.06	-0.03	-0.79
2. Profiling	0.12	0.33**	0.22**
3. Transferring	-0.06	-0.14*	-0.12
4. Notice and choice	-0.002	-0.16*	-0.12
5. Notice and choice	-0.08	-0.04	-0.04
<i>Regulatory demands</i>			
1. Collecting	0.03	0.21*	0.17*
2. Profiling	-0.05	-0.10	-0.09
3. Transferring	0.07	-0.03	-0.04

Notes: \* $p < 0.01$ ; \*\* $p < 0.05$

respondents reported the use of cookie in their computers, while 45.6 percent of the US participants indicated they have used such a function (Chi-square = 11.24,  $p < 0.01$ ).

#### Other predictors

Gender did not play a significant role for the respondents' beliefs in online privacy rights. The frequency of online shopping and the level of technical self-efficacy were not significant predictors for normative beliefs within each sample. The Chi-square test also indicated no significant difference in daily practices between genders.

#### Discussion

Major findings of this study are two-fold. First, contrary to the expectations, the notions of online privacy rights among the Korean respondents are strongly formed, with the regulatory demands widely shared with the US participants. Second, however, there exists a gap between the beliefs of information privacy rights and daily practices – the duality far more magnified among the Korean respondents. The findings contradict the previous studies, which claimed that the Koreans perceived privacy only as a concern for criminals or a matter of luxury (Kho, 1998; Lee, 2004). Furthermore, the findings do not agree with the previous data that indicated a positive association between the public's regulatory demand and the nation's approach to privacy regulation (Milberg *et al.*, 1995). Instead, the results of this study are consistent with Bellman *et al.* (2004) who found consumers from all countries shared similar levels of privacy concern while those from no protection demanded more regulatory measures than those from nations with sectoral privacy regulation.

The findings that contradict the previous studies can be explained by two factors: technology and economics. First, the internet is a user-oriented environment of its own cultural experiences without being connected to the societies at physical locations of users (Johnston and Johal, 1999; Teske, 2002; Zahir *et al.*, 2002). Ribak and Turow (2003) identified this approach as "universalistic" explanation. That is, technology's inherent features raise more or less the same concerns and opportunities for users around the globe.

**Table VI** Comparison in daily practices

	1. Consultation	2. Withdrawal	3. Prevention	4. Tech. use
USA (%)	60.6	70.1	55.1	45.6
Korea (%)	35.7	52.0	14.8	27.3
Chi square	21.45*	12.85**	63.64*	11.24*

Notes: \* $p < 0.01$ ; \*\* $p < 0.05$ ; 1. Consultation, 2. Withdrawal, 3. Prevention, and 4. Tech. Use are the dimensions of e-commerce experiences as measured in each item (Appendix)

When it comes to online privacy, this implies that the basic architecture of the internet poses similar privacy problems universally to all local users.

Second, it is likely that the rapid economic development in South Korea (GDP: \$764.6 billion (2000 est.)) accelerated the breakdown of Confucian values in the minds of the younger generation. Inglehart and Baker (2000) in fact found a positive correlation between the nation's economic growth and value shift toward self-expression and individualism (that is associated with the high demand for privacy, as supported in *H4*). The low level of individualism in South Korea in the 1970s was associated with the low level of GNP (Hofstede, 2001). Then, the presence of individualism among the young Korean students can be explained by the high growth of the South Korean economy as it moves toward the levels of advanced economies.

Here we do not make any causal argument. However, empirical studies (e.g. Inglehart and Welzel, 2005) indicated that the shift is in fact manifest in the younger generations as their values often converge across different cultures. This is further plausible in that the samples were drawn from heavy internet users whose daily routines are linked with similar software, browsers, and search engines. In short, we speculate that the value changes may well derive from the combined impact of new technology and economic growths on the young minds of the Korean students. The collective beliefs did not register strongly in the beliefs among young college students, perhaps with their value shift occurring faster than others (Na and Duckitt, 2003).

Nevertheless, the persistence of traditional values was evident in daily practices of exercising online privacy rights. Yet such contradiction is hard to explain. According to Hofstede (2001), however, values are often invisible until they become manifest through behaviors in daily rituals. It is a common practice that the members of the collective cultures value harmony with others and reward those who are "indirect, implicit, and reserved" when exercising personal interests (Kim and Bonk, 2002; Javenpaa and Tractinsky, 1999). In addition, the feministic nature of the Korean culture also emphasizes "fitting" in daily communication contexts in avoidance of conflicts with authority (Hofstede, 2001; Schwartz, 1994). To put it simple, confrontations or debates in social interaction are highly discouraged and even stigmatized.

In fact, this survey found that a majority of the Korean students (60.5 percent) still delegate the protection of personal information to the government authority. This finding is striking, given the high levels of regulatory demands and individualistic values that the young college students showed. Social environment shapes such a subtle but powerful schema that the members of collective cultures may inhibit assertive behaviors despite the perceived importance of personal interests at hand. In this sense, the impact of culture should be understood as dynamic, rather than static, and as probable, rather than deterministic, constantly evolving in multiple layers of social interactions (Inglehart and Welzel, 2005; Oyserman and Uskul, n.d.). It may well be that users' actual behaviors, pulled by cultural heritage, did not yet catch up with the changes at the level of the normative beliefs (see Fishbein and Ajzen, 1975; Park, 2000) of online privacy rights.

The prevalence of privacy concern among the US college students is in line with the studies by Metzger (2004) and by Lee (2000), who reported the general consensus about the necessity of "notice and choice", regardless of different levels of regulatory demands. However, not only the Koreans, but also the US users exhibited the contrast between: regulatory demands and online behavior with the moderate level of the use of cookies (45.6 percent). Note that this incongruence applies to the public in general (Turow *et al.*, 2005), not exclusively to college students with pragmatic attitudes. This is a cause of the concern for policymakers, i.e. how to increase the level of actual protection behavior congruent with privacy concern (Jenson *et al.*, 2005; Phelps *et al.*, 2000).

Still, the US students showed the higher levels of avoiding the websites deemed less protective and of exercising other protective measures. Here it is possible that the US respondents regard online privacy in terms of vendor-customer, not state-citizen, relationship in which they can demand solutions in hand. In other words, it can be that despite the moderate use of technology, the US students situate the violation of personal rights as the

matter of rectification in direct, immediate, person-to-person contexts. In this regard, individualism may be working for their favor in daily online experiences because the exercises of individual rights are socially accepted or even encouraged. The contrast is evident in the behaviors by the Korean students, with the magnitude of the divide highlighted.

Inglehart and Baker (2000) noted:

Economic development tends to bring pervasive cultural changes, but the fact that a society was historically shaped by Protestantism or Confucianism or Islam leaves a cultural heritage with enduring effects that influence subsequent development (Inglehart and Baker, 2000, p. 49).

The findings of this study support this observation. Both change and stability of cultural values were present in the young Korean college students – with normative beliefs not necessarily transferring to individual actions. In other words, the norms of online privacy seem converging in the cyber-cities; yet cyber-citizens' actual behaviors remain significantly divided across the two nations.

### Policy implications

The findings have the following implications. First, the industrial self-regulatory code, without explicit government protections, fails to incorporate the strong privacy regulatory demands that are shared across the west and the east. Second, the Asian Pacific Economic Cooperation Privacy Initiative, with its mono-centric policy construction in the region, cannot recognize the persistence of the cultural values that are pervasive in users' behaviors. This indicates the incongruence between policy origin and policy operation (see Horwitz, 1989), i.e. the rule imposed from the policymakers and actual consumptions of the rule by users.

Note the assumption behind the industrial self-regulatory code:

- Individuals are capable of exercising their privacy rights, e.g. through options of technology.
- Users are aware of the personal data rule that is being played in the virtual marketplaces.

Nevertheless, the validity of such assumption is questionable, when imposed across different cultures and less developed nations in the Pacific-Rim where the notion of information privacy hardly exists. This is different from the function of the EU data directive that is founded upon the shared notion of personal data protection in European history (Flaherty, 1989). The assumption is broken with the contrast in user behavior as the users of one nation hardly act upon normative beliefs they share with cyber-citizens from the other part of the globe. Digital divide, when accounted for cultural differences, is clearly present at the level of user behaviors (DiMaggio *et al.*, 2001).

Back to the premise of regime theory, to be desired is the policy based on a consensus among multiple actors. Policy regime is effective when geopolitical state-entities can adapt its system to both external and internal market forces (Braman, 2004). In defiance of national borders across the Pacific, normative beliefs about information privacy appear emerging in networked cities. However, a consensus of Pan-Pacific privacy regime in its actual operation does not yet exist. Neglect of such user dimension makes the policy consensus incongruent with daily practices as it further disregards strong regulatory demands prevalent across the two nations. According to Gandy (1999), the construction of a valid privacy policy is possible with the inclusion of users at the very origin of policy formulation. In ruling the cyber-cities, policymakers' consensus is limited as it aims for economic integration prior to the emergence of virtual marketplace norms in place.

A pattern emerges in the merge of the cyber-cities across the Pacific region (see Neuman *et al.*, 1999). First, the digital technology creates policy confusions for policymakers. Second, the construction of the integrated cyber-markets entails the rule that incorporates political economic interest of the region. Third, however, the standardized policy disregards cultural notions of information privacy of cyber-citizens dispersed over the East and the West. In short, the construction of Pan-Pacific policy integration is constrained by a current international regime that opts for "industry self-regulation" in neglect of the region's regulatory experiences and cultural differences in the notion of privacy.

Policy alternatives are as follows. First, the APEC should aim for a poly-centric solution within which localized privacy policies can be incorporated for culturally specific users (Bellman *et al.*, 2004). Second, the agreement between policymakers' solution (*de jure*) and actual practices by users of different nations (*de facto*) should be advanced as the policy goal. For this, the governments of developing nations should actively engage in the APEC forum to promote their stances. Also, different timelines must be set up within the matrix of cultural and economic tiers in order to recognize national differences in devising and implementing policy solutions. Furthermore, it is imperative for developing nations to educate the public in order to increase cultural awareness of information privacy.

## Limits of the findings

### *Generalizability*

Note, however, that the findings are only illustrative of the extent of intercultural differences, serving as evidence that incubates policy discussion. First, despite the fact that young populations make up a majority of new media cultures in the East and the West, the use of small numbers of college students prevents this study from proposing definite regulatory measures. College students, although sharing characteristics of the upper middle-class (Metzger, 2004), have less life experiences in absorbing collective values and goals. Young students in fact exhibit highly different patterns of online usage (Rainie, 2002) and societal concern (Inglehart and Welzel, 2005). Whether the young Korean users will be subsumed eventually under established social practices and norms remains an open question. Furthermore, what's speculative is the extent to which the old generation exhibits differences in regulatory attitudes from the young students sampled in this study.

Second, the survey relied on the samples of the two nations, thus speculating regulatory attitudes of users in other developing nations. What this study did not explore is cultural differences within the east and how such subtleties work against the assumption of "industrial self-regulation." This is further complicated by the peculiarity of South Korea of which the high internet usages contrast with most developing nations. In this sense, the policy implications drawn from the findings may be too limited to be truly regional. Instead, the findings should be accepted with some reservations that the user survey was only to epitomize the overall differences between the East and the West. This entails further inquiries with more representative samples of adult populations in the inclusion of other developing APEC member-states.

## Conclusion

Departing from regime theory, this paper examined the moderating role of cultures in curtailing the convergence of online marketplaces. The survey found that culture plays a significant role in creating the incongruence of the consensus between the two levels – of policymakers and of actual users of different nations. In fact, the APEC Privacy Initiative is never one-way imposition from superpowers to developing nations. Yet top-down policy imposition occurs with no due negotiation between policymakers and actual users. In developing nations, realities of the cyber-cities are not mature enough to let marketplaces alone take care of human rights concerns (Humphrey *et al.*, 2003). Empirical vacuum at the genesis of policy must be filled to fix the incongruence between public "demand" and regulatory "supply" for the region. This study starts with a piece of compelling evidence based on which policymakers reexamine a new institution that emerges in the Asian Pacific rim.

## Notes

1. Hofstede (2001) treated individualism-collectivism as opposite ends of a continuum. However, subsequent research challenged this construct. Lee and Choi (2005), for instance, reported the operation of the four dimensions within the index, testing Traindis' (1995) horizontal and vertical typology. Nevertheless, it is still debatable whether the very existence of sub-dimensions within the index threatens the validity of individualism-collectivism index itself. Besides, Hofstede's index is found highly correlated with both Inglehart's self-expression and Schwartz's autonomy values (constructs equivalent to individualism), reassuring the reliability of Hofstede's measures.

2. A caution is needed in identifying the levels of protections in South Korea. Because of few existing Acts, one may argue for placing South Korea in between "minimum" and "sectoral" protection. The point is valid. For example, there exists promotion of information and communications network utilization and data protection that requires data users to require consents from legal guardians of children under 14. However, most acts are narrow in targeting only telecommunication industries (Chung *et al.*, 2001). Furthermore, the scope of administrative or enforcement mechanism is never to the effect of the data protection principles in the statutes. What is clear is that the levels of institutionalized protections in South Korea are lower than those of Japan or the USA in terms of the number of statutes, the scope of protections, and the level of actual enforcements.
3. About 29 percent of the total Korean internet users are under the age of 20 (National Internet Development Agency of Korea, 2001).

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## Appendix. Questionnaire

### 1. *Collective beliefs*

1. *Balance*. Balance needs to be struck between the right to privacy and public objectives.
2. *Communality*. The idea that information on consumers should be under their total control cannot fit with the need for us to live in society.
3. *Development*. Privacy regulation creates burden on e-commerce growth.

### 2. *Information privacy rights*

1. *Collecting*. I have a right to know what a web site knows about me.
2. *Profiling*. Profiling online users in database does not pose serious threats to privacy rights.
3. *Transferring*. The sharing of online user information between companies should be restricted because it could infringe on the rights of the individuals.
4. *Notice and choice*. Online consumers should be notified and given choices about how the information about them will be used.
5. *Notice and choice*. Web sites should tell online consumers that they have the option to not have information on them shared with other companies.

### 3. *Regulatory demands*

1. *Collecting*. It is unnecessary to ask for every user's consent whenever web sites collect personal data.

2. *Profiling*. The use of someone's data without her/his explicit consent should be regulated.
3. *Transferring*. The government should exercise more control over the sharing of online user information between companies.

#### 4. *Daily practices*

1. *Consultation*. Do you look to see if a web site has any privacy policy before purchasing?
2. *Withdrawal*. Have you ever decided not to purchase because you were unsure of how your information would be used?
3. *Prevention*. Have you ever asked a website not to share your personal information with other companies?
4. *Tech. use*. Have you ever erased cookies in your computer?

#### About the author

Yong Jin Park is a PhD Candidate in Department of Communication Studies at the University of Michigan. His research centers on social and policy implications of new communication technologies. His previous research spans the field of information policy, media institutions, and new media users. His works with colleagues at Michigan will appear in *Journal of Communication*, *Sociology Compass*, and the *Information Society* (all forthcoming). He also presented a number of articles in such conferences as TPRC, IAMCR, and AEJMC. His work on the impact of duopoly ownership was cited in numerous policy reports to the FCC media ownership hearings. Also he contributed to East-Asia sections of 2006 Privacy and Human Rights Report: Electronic Privacy Information Center (EPIC). Currently, he is working on his dissertation that seeks user-driven policy solutions for internet privacy. He holds a MA from Annenberg School for Communication at the USC. Yong Jin Park can be contacted at: parkyo@umich.edu

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