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Comparative Analysis of Government Regulatory Compliance: A Case of Kenya, China and USA

CPA Dr. Leonard W. Wakoli

Jaramogi Oginga Odinga University of Science and Technology, School of Informatics and Innovative Systems,
P. O. Box 210 – 40601, Bondo – Kenya

Abstract
The importance of regulatory compliance in ensuring that laws and related public policies accomplish their intended goals, which include promoting social and economic development and protecting important aspects of public welfare in a nation cannot be gainsaid. Championing regulatory compliance is a crucial part of international development work, as much as it is frequently overlooked. Studies reveal that the "volume" and harshness of enforcement do not always correspond with compliance and regulatory outcomes, that compliance is not always the intended result of regulations, and that compliance is not always the automatic consequence of regulations. Robust data also indicates that regulations, regulatory administration, procedures, and systems that are not well-designed can impede economic expansion and serve as a breeding ground for corruption. This study digs into the complexities of government regulation compliance in the ever-evolving field of e-commerce, providing a comparative examination among three very different jurisdictions: Kenya, the United States and China. The purpose of the study is to clarify the constantly changing regulatory environment that oversees Internet commerce by investigating the legal frameworks, enforcement strategies, and commercial ramifications that arise for companies that operate in these various areas. The research endeavors to enable cross-border cooperation and enlighten policymakers on effective regulatory strategies to balance innovation, consumer protection, and industrial growth by identifying commonalities and discrepancies in regulatory approaches. This research offers a contemporary overview of the legislative frameworks driving the digital marketplace in various regions, as e-commerce continues to redefine global trade dynamics.

Keywords: Business implications, Consumer Protection, Data Protection and Privacy, E-Commerce, Enforcement mechanisms, Legal Frameworks, Market entry Barriers, Regulatory Compliance, Taxation Policies,.

Introduction

Compliance referrers to ensuring that corporate procedures, activities, and practices adhere to a set of established and/or agreed-upon standards. Regulatory compliance is a sub-discipline that focuses on risk assessment, measurement, monitoring systems, and decision-making using regulatory compliance scores. (Fiene 2016) The e-commerce industry has emerged as a dynamic force driving economic growth and changing customer behavior in the quickly changing global commerce landscape. Governments are vital in guiding and controlling this emerging sector as companies take advantage of the enormous potential provided by digital platforms. In-depth comparisons of government regulatory compliance are conducted in this research paper in the Kenyan, the US, and Chinese economies. Legislation, regulatory agencies (such as Sarbanes Oxley, Basel II, HIPAA), codes of conduct and standards (such ISO9000, SCOR), and contracts between business partners can all result in the need for compliance. According to Hagerty et al. (2008), the market value of compliance-related software and services was predicted to be over $32 billion in 2008. The surge in corporate investment can be attributed mostly to regulatory demands that arose from events that resulted in some of the worst corporate scandals ever, including those involving WorldCom 2002 and Bernie Modoff Ponzi Scheme in the USA (George B, 2011). Others are Luckin Coffee 2020 and Wirecard AG 2020 in China (Zeranki S. and Sancak I., 2020) and Imperial Bank 2015 in Kenya (Masinde J, 2016). The e-commerce industry has immensely expanded due to technological breakthroughs, evolving consumer inclinations, and heightened internet accessibility. However, with this expansion has come a host of challenges, from issues with fair competition and taxes to worries about data security and privacy. Global governments are entrusted with the challenging balancing act of protecting consumers, promoting innovation, and upholding an equitable and competitive market. The legal frameworks controlling the digital frontier of e-commerce are becoming increasingly important in determining the viability of this industry as it grows, as it affects corporate trajectory, protects consumer rights, and shapes economic landscapes. In order to better understand the complex relationship between government regulatory compliance and the growing e-commerce ecosystems inside Kenya, the United States of America, and China, this research does a comparative analysis of their respective regulatory environments. The use of e-commerce in Kenya is still expanding. User penetration is higher than the regional average, according to Statista, and by 2025, revenues should expand on average by 16.4% annually.

E-Commerce was the largest digital revenue generator in 2020, accounting for US$1.1 billion and 76.1% of all digital revenues (Statista). More generally, a number of variables contribute to Kenya's e-commerce boom. Kenya has developed a roadmap for the digital economy aimed at advancing the ICT industry and e-commerce. According to UNCTAD, Kenya has the second-highest percentage of adults (15 years and older) having a bank or cell account that allows them to transact online, behind only Mauritius. This is mostly due to the country's widespread adoption of the M-Pesa mobile money system. (International Trade Administration, 2022) With effect from January 1, 2019, the State Administration of Taxation, the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Finance, the General Administration of Customs ("GAC"), and the State Administration for Market

Supervision jointly issued a circular that significantly altered some of the policies governing retail e-commerce imports in China. China has allowed foreign vendors to sell items directly to Chinese customers using e-commerce sites that are registered, such Tmall.hk or JD.com. Import VAT payable at 70% of regular rates, duty-free imports, and quick customs clearance have all benefited sales made through this mode of trade. (New China Retail E-commerce Regulations, 2019) The best way to characterize American government policy toward online shopping is "light touch" regulation. Consumer transactions and advertising on the internet are the focus of consumer protection legislation set by the Federal Trade Commission (FTC). Credit card information and personal data of consumers are protected by both federal and state legislation. (McKenzie 2022) The US government's policy is to safeguard consumers, companies, employees, and owners of intellectual property rights from drugs (including synthetic opioids like fentanyl), counterfeit goods, and other illegal items that are now being brought into the country due to the recent surge in e-commerce. Additionally, the US government is required to defend its finances against people and organizations that avoid paying taxes, fees, and customs duties. (A Presidential Document by the Executive Office of the President on 02/05/2020 , USA)

Literature Review

The comparative aspects in Regulatory Compliance in Kenya, China and the US.

1. Data Protection and Privacy The Data Protection Act of 2019 governs data protection and privacy in e-commerce in Kenya. The Office of the Data Protection Commissioner is the organization in charge of monitoring and implementing data protection regulations, especially those pertaining to e-commerce (ODPC).

The ODPC is designated by the Data Protection Act as the regulatory body in charge of putting data protection laws into effect and upholding them in Kenya. The ODPC is in charge of making sure the Data Protection Act's provisions are followed, looking into complaints of violations of the law, and publishing policies and recommendations to support data privacy practices. (Bowmans Law, 2019) The DPA affects e-commerce through enforcing user privacy, controlling data processing, and enforcing compliance requirements. Kenyan businesses must modify their operations to comply with these requirements in order to safeguard user data and preserve consumer confidence in the online marketplace. If an e-commerce business fails to comply with the Data Protection Act, there can be severe consequences, including, but not limited to: a). Enforcement Notice, Should the Kenyan Data Protection Authority (DPA) issue one, the company may not be allowed to process data. The activities of the firm are hampered as a result, b) Penalties: Businesses that violate the DPA's regulations may be subject to financial penalties. These penalties may be rather high. The type and seriousness of the infraction are among the many variables that determine how much. For example, the fine may reach up to €20 million, which is equivalent to 4% of the company's yearly global revenue. (Data Protection Act Section 24 2019) The Cyberspace Administration of China (CAC) is the primary regulatory authority in China that oversees privacy and data protection in e-commerce. The CAC is a key player in the development of laws, rules, and policies pertaining to cybersecurity and data protection. In order to protect the security and privacy of data processed and sent within China's cyberspace, especially on e-commerce platforms, it establishes rules and directives. The Data Security Law (the “DSL”) and the Personal Information Protection Law (the “PIPL”) of China are the key pieces of legislation in the field of data protection, both of which came into effect in 2021. In 2022, China promulgated a series of more specific regulations, aiming to implement and refine the requirements of the preceding two laws in detail. Among others, the Cyberspace Administration of China (the “CAC”) released the Measures of Security Assessment on Cross border Transfer of Data on July 7, 2022, specifying under what circumstances a security assessment is required for outbound data transfers and how to apply for such assessment. On November 18, 2022, the SAMR and the CAC jointly issued the Implementing Rules on Certification of Personal Information Protection, providing the requirements relating to security certification for cross-border transfer of personal information. (Digital Business Laws and Regulations China, 2023)

In the US, for E-commerce, data protection and privacy is governed by a combination of federal laws, state laws, and industry standards. The Federal Trade Commission (FTC) plays a very important role in the regulation of E-commerce data protection and privacy through its authority to enforce Section 5 of the FTC Act, which prohibits unfair or deceptive practices. (Complying with the MADE IN USA STANDARD) The GLBA (Gramm-Leach-Bliley Act), also known as the Financial Services Modernization Act of 1999, applies to E-Commerce businesses that engage in financial activities or provide financial products or services. It is a United States federal law that requires financial institutions to explain how they share and protect their customers’ private information. (Groot J., 2023) Also HIPPA (Health Insurance Portability and Accountability Act) regulates the handling of protected health information by Commerce businesses operating in the healthcare sector. The CCPA (California Consumer Privacy Act) and its subsequent amendment, the California Privacy Rights (CPRA), are the state laws that apply to e-commerce businesses operating in or targeting consumers in California. (California Consumer Privacy Act of 2018)

2. Consumer Rights and Protection Kenya's 2012 Consumer Protection Act (CPA) has a major impact on e-commerce by offering a strong legal foundation for consumer protection and rights. Before it was passed, consumer protection was covered by a number of dispersed laws (Consumer Protection of Kenya, 2012). The CPA did, however, combine and make these requirements more understandable, paying particular attention to matters pertaining to electronic transactions. Customers now have specific rights under Constitution of Kenya 2010 Article 46 like: Quality Goods and Services, Information access and Health, Safety and Economic interests. The CPA give the customers the ability to pursue remedies such as compensation for any infringement of their rights.

These provisions enhance consumer confidence and promote fair practices in the digital marketplace, ensuring a safer and more transparent e-commerce environment in Kenya. (Constitution of Kenya, 2010) A number of laws, rules, and government organizations control consumer rights and protection in e-commerce in China. The State Administration for Market Regulation (SAMR) is the main regulatory agency in China that monitors consumer rights in e-commerce. SAMR is in charge of upholding consumer protection legislation, controlling market competitiveness, and preventing deceptive business activities. It is essential to defending consumer protection and rights in the e commerce environment.

By use of laws, SAMR guarantees that companies abide by rules, permitting customers to return goods in full within seven days after purchase.

The organization keeps an eye out for ethical behavior, looks into infractions, and informs customers of their rights. SAMR helps create a more transparent and safe online buying environment in China by fusing legal frameworks, ethical standards, and dispute resolution procedures. (The State Administration for Market Regulation, 2018) There isn't a single regulatory body in the US whose sole purpose is to monitor e-commerce activities. Nonetheless, a number of organizations are essential to maintaining legal procedures and protecting consumer rights in the e-commerce sector. The primary federal consumer protection regulator is the Federal Trade Commission (FTC), which is in charge of enforcing laws and setting regulations pertaining to internet activities. Furthermore, the Executive Office of the President issued Executive Order 13904 (E.O. 13904), which aims to prevent counterfeit goods and other illegal items and promote safe and legal online shopping. Enterprises engaged in electronic commerce within the United States are confronted with a multifaceted legal environment encompassing policies about data confidentiality, disclosures regarding automatic renewals, accessibility, and the enforceability of arbitration agreements and class waivers. (Complying with the MADE IN USA STANDARD)

3. Taxation Policies In Kenya, The KRA (Kenya Revenue Authority) is primarily in charge of all taxation policies and taxation activities including those related e-commerce activities. The Kenya Revenue Authority (KRA) introduced new taxes which came into effect on January 1, 2021. The key taxation policies that may apply to e-commerce in Kenya include: Value Added Tax(VAT), Income Tax, Customs duties, Digital Services Tax(DST) and Withholding Tax. (Mwangi, 2022). The Chinese government, through the State Administration of Taxation and the Ministry of Finance has implemented various policies and regulations to govern taxation in the e-commerce sector to ensure compliance and to manage the rapidly growing sector. Some of the policies affecting e-commerce include Value Added Tax (VAT), Cross-Border E-Commerce Taxation, Digital Service Tax(DST), Income Tax and Tax incentives. (Overview of Taxation in China, 2019 State and municipal legislation, along with federal tax rules overseen by the IRS, regulate e-commerce taxes in the United States.

Online retailers may be forced to collect sales tax in accordance with state economic nexus requirements in the wake of the Wayfair Supreme Court ruling. Federal income tax is levied on earnings earned by e-commerce companies. State and municipal taxes may also be relevant. Although there isn't a national digital service tax, the idea has been discussed at the federal and state levels. Withholding tax may apply to cross-border e commerce transactions, and companies may be eligible for tax breaks such credits, deductions, and regional investment incentives. E-commerce companies must stay up to date on local, state, and federal tax laws and seek advice from tax experts to make sure that they comply and optimize tax strategies. (Henchman J., 2018)

4. Market Entry Barriers Regarding product standards and quality regulations in particular, the Kenya Bureau of Standards (KEBS) has a major impact on market entry obstacles in Kenyan e-commerce. KEBS establishes requirements for products and services, including those offered for sale online. Businesses must adhere to KEBS standards in order to guarantee the quality, safety, and dependability of their products, as this might impact customer confidence in e-commerce platforms. Businesses looking to enter or operate in the e-commerce sector face considerable obstacles due to the potential consequences of non-compliance with KEBS requirements, which include regulatory fines, product recalls, and even market limitations. Therefore, new e commerce businesses may find it difficult to enter the market as a result of KEBS laws, particularly if they are unfamiliar with or unable to achieve the necessary criteria. (Abuyeka, 2020) The Ministry of Industry and Information Technology (MIIT) is the primary regulatory organization in China that affects market entry barriers in e-commerce, especially through its internet governance and regulatory regulations.

MIIT is in charge of managing a number of facets of China's internet and telecommunications sectors, such as online content and platform regulation and ISP licensing. The laws imposed by MIIT on content censorship, licensing for online businesses, data storage and security, and other matters can have an effect on e-commerce enterprises' ability to enter the market. Furthermore, through their supervision of competition, consumer protection, and foreign investment legislation, other regulatory organizations including the Ministry of Commerce (MOFCOM) and the State Administration for Market Regulation (SAMR) also have a significant impact on the development of market entry barriers. All in all, these oversight organizations each make a contribution. (Yongge Niu et al).

The Federal Trade Commission (FTC) is the primary regulatory authority in the United States that affects market entry barriers in e-commerce. In order to stop unfair business practices, false advertising, and anti-competitive behavior, the FTC is in charge of upholding consumer protection and competition laws. (Karakaya 200) The FTC's rules and enforcement activities can affect e-commerce companies' ability to enter the market by enforcing laws pertaining to fair competition, data security, consumer privacy, and advertising disclosures. Furthermore, by monitoring trade, telecommunications, and internet-related regulations, other regulatory agencies like the Federal Communications Commission (FCC) and the Department of Commerce may also play a part in determining market entry barriers. All things considered, these regulatory organizations work together to shape the regulatory landscape that affects American e-commerce companies' ability to enter the market. (Stahl 2009)

Table 1.1: A comparative analysis of the regulatory compliance in e-commerce: Kenya, china and the US

S/No.	Comparative parameter	Kenya	US	China
1	Data Protection and Privacy	DPA	A mixture of federal and state laws like GLBA, HIPPA etc	CAC and PIPL
2	Consumer Rights and Protection	Consumer Protection Act	FTC Act	SAMR and other local regulators
3	Taxation Policies	VAT, regulated by KRA	State and federal laws, regulated by the IRS	VAT, regulated by SAT
4	Market Entry Barriers	KEBS	FTC Act and state regulatory agencies	MIIT and MOFCOM

Conclusions

In conclusion, the comparative analysis of regulatory compliance in Kenya, China, and the US reveals diverse approaches and challenges across key aspects of data protection and privacy, consumer rights and protection, taxation policies, and market entry barriers. While all three countries acknowledge the importance of safeguarding data privacy and consumer rights, their regulatory frameworks vary significantly, reflecting cultural, political, and economic differences.

Kenya and China have implemented legislation such as the Data Protection Act and comprehensive regulations, respectively, to address these concerns, while the US operates under a patchwork of sector-specific laws. Taxation policies likewise diverge, with Kenya and China aiming to balance revenue collection and economic growth, while the US grapples with debates over corporate tax rates and international tax avoidance. Market entry barriers present challenges for businesses, influenced by regulatory complexities and bureaucratic hurdles, with China exhibiting strict regulations, Kenya offering opportunities with concerns about corruption, and the US facing compliance costs. Harmonization of global standards and collaboration between governments and industry stakeholders are essential for navigating these regulatory landscapes effectively, fostering innovation, protecting consumer rights, and facilitating sustainable economic development.

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Author Profile

Dr. CPA Leonard Wakoli, PhD.

CPA Dr. Leonard Wakoli is currently a Lecturer at Jaramogi Oginga Odinga University of Science & Technology (JOOUST), School of Informatics & Innovative Systems (SIIS). He is the Acting Dean, School of informatics and innovative systems. Leonard has a PhD in Information Technology (IT) Security and Audit from Jaramogi Oginga Odinga University of Science and Technology, a Master of Science in Software Engineering, a Bachelor of Science Degree in Mathematics and Computing, a a Post Graduate Diploma in the Management of Information Systems from University of Greenwich UK, a Diploma in Science Education (Mathematics & Physics). Leonard is also a Certified Public Accountant - CPA(K).