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## Recognising the Trust Barrier in Pak-US E-commerce: Factors Behind Trust Deficit

<sup>a</sup> Alishba Rahman, <sup>b</sup> Tahir Jamil, <sup>c</sup> Fatima Hassan

<sup>a</sup> M.Phil. American Studies, Area Study Centre for Africa, North and South America, Quaid-i-Azam University, Islamabad, Pakistan.

Email: Alishbarehman100@gmail.com

<sup>b</sup> Assistant Professor, Area Study Centre for Africa, North and South America, Quaid-i-Azam University, Islamabad, Pakistan.

Email: tjamil@qau.edu.pk

<sup>c</sup> M.Phil. American Studies, Area Study Centre for Africa, North and South America, Quaid-i-Azam University, Islamabad, Pakistan.

Email: hassanfatima1724@gmail.com

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### ABSTRACT

**Purpose:** This research aims to examine the trust barriers that hinder Pakistan's integration into the global e-commerce landscape, specifically focusing on the hesitancy of US-based platforms such as Amazon, eBay, PayPal, and Stripe to operate in Pakistan. It seeks to uncover how negligence, malpractices, and security concerns have contributed to this challenge and to propose actionable solutions for bridging the trust gap.

**Design/Methodology/Approach:** The study adopts a qualitative approach, leveraging secondary sources, government reports, and literature on trust in economic relationships.

**Findings:** The research reveals that trust is a pivotal factor in economic prosperity and trade efficiency. Pakistan's regulatory shortcomings, coupled with malpractices in customs and an underdeveloped digital payment infrastructure, have created significant barriers to attracting global e-commerce entities. The findings highlight the need for Pakistan to strengthen its regulatory framework, improve operational security, and address inefficiencies to foster trust and encourage international participation in its e-commerce market.

**Implications/Originality/Value:** This study contributes original insights into the role of trust in bilateral e-commerce relations, focusing on the underexplored case of Pakistan. Identifying trust barriers provides valuable guidance for stakeholders aiming to enhance Pakistan's e-commerce ecosystem. The implications extend to improving economic growth and fostering global trade partnerships, addressing a research gap that has received limited attention in the context of developing nations.

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\*Corresponding Author's email address: alishbarehman100@gmail.com

## 1. Introduction

E-commerce is expanding its market share and reach at warp speed; at the same time, both developed and developing states are experiencing the evolution of technology that enables e-commerce. The more e-commerce

expands; the more significance it carries from an international trade perspective. However, in the case of Pakistan, despite a clear potential for e-commerce growth, the country is unable to materialize it internationally. Although the trust barrier among people for e-commerce has been under the empirical light, this research hypothesizes that there also exists a trust barrier on a larger and international scale where international entities due to negligence, malpractices and security concerns, do not become fully operational in Pakistan. However, the scope of this research is limited to the e-commerce relations between Pakistan, one of the largest e-commerce markets, and the United States, the leading e-commerce hub.

## **2. Background: E-commerce Landscape in Pakistan and the United States**

A pivotal moment for global e-commerce, and national as well, came during the COVID-19 pandemic when e-commerce saw a boom in different countries (CRS, 2022; ITA, 2021). According to a report by the U.S. Department of Commerce, during the second quarter of 2020, business-to-consumer (B2C or retail) e-commerce accounted for 16% of total U.S. retail sales, marking a significant increase from the less than 11% recorded in the second quarter of 2019 (CRS, 2022). COVID-19 has significantly improved the growth of online sales. Figure 1 shows a clear peak in e-commerce sales in the United States that came right after the pandemic, which has been sustained even after the pandemic was over. In 2021, 79% of the U.S. population was engaged in online shopping (CRS, 2022). This reality, in the specific context of e-commerce, became evident in the world locked down during the COVID-19 pandemic. People around the world, unable to leave their homes to access basic facilities, relied heavily on e-commerce platforms for shopping. Not only did countries benefit from this increase in e-commercial transactions, but it also unravelled its role in international relations and vice versa. The pandemic-induced business restrictions prompted a shift from traditional global business methods to the digital economy.

Rise of the digital economy has introduced new concepts like electronic business (e-Business) or electronic commerce (e-Commerce), as the electronic alternative to the traditional way of doing business or trade. In a highly competitive landscape driven by information technology and telecommunications, companies have had to embrace new business models. Consequently, e-commerce has become an essential part of the modern business world, offering a pathway to success in the market (Gibbs & Kraemer, 2004). Pakistan and the United States are using different types of e-commerce in the form of trade, soft skills, and services to facilitate cross-border transactions and economic cooperation. E-commerce is a part of the Network Economy that has been brought forth by the rapid involvement of Information and Communication Technologies (ICT) in human lives and interactions (Baalen & Moratis, 2001). The Network Economy comes with many promises, such as lowered costs, seamless communication, global access, mobile access, etc (Baalen & Moratis, 2001). It might have been futuristic once, but today, it has become a reality, and developing countries, including Pakistan, have started to capitalize on it. In fact, e-commerce has become a major source of bringing remittances to Pakistan other than relying on the Pakistani diaspora abroad (Ministry of Commerce, 2019).

Although there is a clear space in the international e-commerce industry that Pakistan and the United States can fill in collaboration with each other, there are still hurdles, such as Pakistan being a largely cash-based and informal economy. The majority of transactions are still being conducted by cash, except for those requiring a pay order or bank draft. However, due to internet accessibility and the proficiency of trusted websites and portals in the country, more people are using the Internet to buy and sell things. E-commerce is expanding rapidly in Pakistan, where revenue in the e-commerce market is projected to reach US\$5,035.00m in 2024 (Statista, 2024). According to Statista (2024), Pakistan's e-commerce revenue is expected to show an annual growth rate (CAGR 2024-2029) of 5.92%, resulting in a projected market volume of US\$6,711.00m by 2029. Furthermore, the country has more than 100 million Internet subscribers and 111.38 million 3G and 4G users (ITA, 2022), creating a huge potential for online trade and commerce. For example, Daraz.pk, one of Pakistan's top e-commerce platforms, is visited by more than 27 million users monthly (Hassan, 2023). However, despite all this potential, there is a palpable trust deficit for Pakistani market among international e-commerce enablers and entities that hinder its growth potential. This

research will explore this trust deficit and uncover the factors behind it.

### **2.1 E-Commerce Definition**

Defining e-commerce will also define the scope of this research, therefore, it is necessary to first clarify a definition of e-commerce and denote all its elements. There are many definitions of e-commerce, and most simply, it is defined as the buying and selling of goods and services through the Internet. However, this is found to be a restrictive definition that limits the scope of e-commerce research; on the other hand, a broader definition states that e-commerce “includes all electronic transactions, including credit card transactions and the infrastructure necessary for electronic commerce operation” (Semerádová & Weinlich, 2022). The second definition opens the scope of e-commerce studies to the study of all the infrastructure that makes it possible in the first place. Therefore, in this research, the types of e-commerce interactions, along with their enablers and barriers, are studied for their role in enhancing cross-country e-commerce.

E-commerce includes a wide range of interactions among businesses and consumers; for example, it includes Business-to-Business (B2B) relations, Business-to-Consumer (B2C) relations, and also Consumer-to-Consumer (C2C) relations, as well as freelancing and selling of services online. This is a broad domain, yet far from new, Pakistan has already explored or is starting to explore most of these venues for building economic relations internationally. This section will explore deeply the extent of Pakistan and the United States' e-commercial interactions in all the modes discussed above. It will highlight the current nature and scope of e-commerce between Pakistan and the United States and also indicate the areas where the countries lag behind.

### **3. Research Methodology**

This research employs a qualitative analytical approach, primarily relying on secondary analysis and web-scraping for data collection. The research aims to put together multiple sources of literature from books, research papers, as well as governmental data and official reports. The research includes a review of the literature as well as gathering and analysing relevant data to prove the deficiency of trust between international e-commerce entities and the Pakistani market.

### **4. Literature Review: Trust, a Critical Component of Modern Trade**

*Trust* is a fundamental element in any kind of partnership, especially in business. Economists have been studying the link between trust and economic prosperity for a long time. In 1972, Nobel Prize winning economist Kenneth Arrow famously wrote, “Virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time. It can be plausibly argued that much of the economic backwardness in the world can be explained by the lack of mutual confidence” (Arrow, 1972, p. 357). The statement explains the pervasive role of trust in commercial transactions, particularly those occurring over time, and suggests that the lack of mutual confidence may contribute to economic backwardness globally. In any transaction, trust is essential for parties to rely on each other, and this becomes even more crucial in long-term business relationships. This implies that economic disparities among nations could be partially explained by varying levels of trust, with countries fostering higher levels of trust experiencing more strong economic growth (Clark, 2011). The presence of reliable institutions, legal frameworks, and transparent practices is emphasized as key factors in building and sustaining trust, ultimately influencing economic development (Kalish, Wolf, and Holdowsky, 2021).

In nations where trust is well-established among businesses, governments, and institutions, there tends to be higher per capita real GDP growth, a common indicator of economic well-being (Kalish, Wolf, and Holdowsky, 2021). Macroeconomists use trust among individuals as an indicator for the overall level of trust within a country, and as this trust improves, so does economic prosperity (Kalish, Wolf, and Holdowsky, 2021). According to a study, a country could expect an approximately 0.5 percentage point increase in annual per capita real GDP growth with a 10-percentage point rise in the proportion of people who trust each other (Kalish, Wolf, and Holdowsky, 2021).

Although measuring trust in itself has been a contentious topic, it has been applied in empirical economic studies and is considered a crucial aspect of economies.

The role of trust in shaping the economic success and influencing investor confidence is emphasised by influential scholars such as Arrow (1972), Fukuyama (1995), Gray (1997), and Zak and Knack (2001). These scholars argue that trust is a key predictor of economic prosperity, contributing to increased efficiency, heightened investor confidence, and a conducive environment for investment and growth. Trust is identified as a significant factor interacting with investments in both physical and human capital (Dearmon & Grier, 2009). There is a negative correlation between trust and government regulation, emphasizing the relationship between trust, policymaking and economic dynamics (Aghion et al., 2010).

These points emphasized that in international trade, trust emerges as a critical channel influencing trade pattern. High levels of bilateral trust are seen as the building block for a strong economy and efficient trade. Similarly, trust has a huge role in the e-commerce market as well, trust is a major factor in e-commerce whether it's on a national level or international level. There have been multiple studies and detailed departments within the e-commerce industry that focus on trust building between consumers and businesses and consumers and e-commercial platforms so that people can trust the platform to buy goods online (Chang, Cheung, and Tang, 2013). The main factors of trust in the e-commerce market include security concerns, an easily accessible and user-friendly refund/returns policy, clear contact details, reviews and testimonials on their social media site, and a trustworthy online presence (Ndukwu, 2023). This trust building becomes even more difficult to achieve when countries are geographically distant (Coad and Duch-Brown, 2017). For example, if a country is geographically distant then the trust deficit between the countries will also increase between e commercial platforms and businesses. Furthermore, greater hurdles arise in terms of shipments whether the government is compliant, and whether it is assisting the whole industry properly or not (Chundakkadan and Sasidharan, 2023).

Trust is considered a critical factor of success in e-commerce (Chang, Cheung, and Tang, 2013) because it influences consumers' decision-making and mitigates perceived risks associated with online transactions (Pan, Feng, and Xu, 2012). In the absence of physical interaction with products and services, the trustworthiness of an e-commerce platform becomes pivotal for customers, impacting their willingness to engage in online transactions and shaping their overall satisfaction and loyalty (Pan, Feng, and Xu, 2012). However, the surge in online shopping can be attributed to the COVID-19 lockdown, as people found themselves with limited alternatives. During this period, individuals were compelled to rely on online platforms, leading to the development of trust in these digital avenues. According to Forbes, global e-commerce sales experienced a swift increase, rising from 2.9 trillion U.S. dollars in 2020 to 4.2 trillion U.S. dollars in 2021 (Verdon, 2021).

This research highlights the importance of trust in cross-country e-commerce, with a specific focus on the challenges posed by trust deficit in the e-commerce market between Pakistan and the United States. The paper further conducts a case analysis to illustrate how this trust deficit manifests on various platforms, examining major e-commerce giants like Amazon and eBay, as well as financial systems or EMIs such as PayPal and Stripe.

#### **4.1 Theoretical Framework**

In light of the literature review, this research is informed by the concept of trust, as developed in the work of Kenneth Arrow in the context of economic transactions. Arrow's concept of trust suggests that trust is a fundamental component in reducing transaction costs and managing uncertainties, especially in markets where information asymmetry exists (Arrow, 1972). In e-commerce, the absence of face-to-face interaction makes trust even more critical. For this research, Arrow's framework is applied to examine the trust deficit in e-commerce between Pakistan and the USA. Arrow's concept also explains the information asymmetry, which, in this case, can be interpreted as the asymmetry in the use and prevalence of e-commerce at the national level in both states. Using

this concept as the basis, this research studies that a lack of trust can lead to undue complexities in processes and interactions among stakeholders. In Pakistan's case, international businesses may perceive heightened risks due to issues like cybersecurity vulnerabilities, fraudulent practices, and inconsistent enforcement of policies. These concerns create a trust deficit that inhibits foreign participation. Thus, Pakistan's e-commerce sector faces the challenge of addressing the mistrust and enhancing international credibility by improving institutional governance and creating a secure, transparent environment to welcome e-commerce-enabling entities. By strengthening institutions and building trust, Pakistan can unlock its full e-commerce potential on a global scale. This research shall follow this theoretical framework to guide its structure and analysis.

## **5. Trust Issues between E-commerce Giants and Enablers Regarding Pakistan**

As discussed earlier, trust plays a fundamental role in any business or trade relationship. Research indicates that countries with strong bilateral relations also tend to have robust economic ties (Kim, Dekker, and Heij, 2017). When there is a foundation of trust between nations, there is often a noticeable increase in trade and overall economic growth. This significance of trust becomes even more pronounced in the realm of e-commerce. Taking the case of Pakistan and the United States, although they maintain good trade relations, their online market interactions are not as positive. Despite the considerable efforts by the government of Pakistan to foster a conducive environment, major U.S.-based online companies such as Amazon, eBay, Stripe, and PayPal exhibit a reluctance to operate within Pakistan. This hesitancy persists, and, despite the trust deficit, more than half of Pakistan's IT exports still find their way to the United States. The challenge lies in bridging the gap between the existing trade relations and the reluctance of these prominent online entities to engage in the Pakistani market.

### **5.1 Amazon's Reluctance to Become Fully Operational**

Amazon is a global e-commerce giant that is the most desirable platform for vendors, merchants, and consumers alike. However, it has had a rough relationship with Pakistani merchants. Amazon allows Pakistani merchants to use its platform to sell goods, but it does not allow any shipments to Pakistan. The reasons behind such mistrust are manifold. Before May 2021, Pakistan was banned from Amazon selling or buying due to poor quality of goods and services (E-commerce Galaxy, 2021). Although this was eased, and Pakistan rose to third place in Amazon's seller list, however, it has not become fully operational. There are multiple reasons behind Amazon's reluctance to become operational in Pakistan which include outdated custom practices, risk for corruption, hacks and frauds by merchants, and poor customer service.

#### **5.1.1 Hacks and Malpractices**

Although Pakistani merchants are benefiting from Amazon, Pakistani consumers are deprived of their access to this global marketplace. Amazon does not deliver products to Pakistan; However, the people of Pakistan often use alternatives and illegal means to purchase products on Amazon. Pakistanis employ hacks or third parties to gain access to Amazon, which puts them in direct conflict with Amazon's operational methods. Such malpractices are even common among merchants who are often removed from the platform (Global Village Space, 2022). Despite Pakistani merchant's commendable growth on the platform, Amazon continues to terminate accounts on the basis of malpractices; for instance, Amazon has recently terminated almost 13,000 Pakistani sellers' accounts for engaging in fraudulent activities using various methods, locally known as the "kabootar" (pigeon trick), rickshaw trick, carding, and filing (Daily Times, 2022). The kabootar trick is the most popular scam in Pakistan in which a scammer creates an account for dropshipping on Amazon, when the customer's order from their shop the seller generates a tracking number from the original seller, on which Amazon releases the payment. When they get the payment the scammer deletes his account and by the time the customer files a complaint about the delivery of the product, it's too late for Amazon to take any action (Christopher and Siddiqui, 2023).

Similar to the condition of Amazon is eBay Inc., which is also a multi-billion e-commerce company in the U.S. like Amazon (Chapman, 2023). This shopping website allows millions of people to buy and sell their products online.

It operates worldwide but it's partially open for the sellers in Pakistan, they can make their own shop and sell their products but cannot buy anything from there. The restriction from eBay to Pakistani sellers and consumers is because it uses PayPal for its transactions and PayPal is not operational in Pakistan.

## **5.2 Customs Office Corruption**

The customs office in Pakistan has an outdated system of management and clearance of goods that are imported by consumers (Sarfraz, 2023). Customs office corruption cases is a huge obstacle to a smooth import/export environment, especially for B2C and C2C e-commerce models in Pakistan (Sarfraz, 2023). The tax and customs offices are known for their high risk of corruption where they are prone to misappropriation of goods (Khan, Rethi, and Szegedi, 2018). The online selling of services, therefore, flourishes far more than goods, because of the least involvement of bureaucracy. The outdated system of checking and clearance often leads to damage to goods, this is because sophisticated scanners are not available to customs offices (Siddiqui et al., 2015). Furthermore, the process of clearing goods from customs in itself is a tedious one that often results in delayed orders. Such hurdles in the way of a smooth experience keep the consumers as well as platforms from entering the market. Another barrier to entry is the lack of access to financial management systems such as PayPal or Stripe, which are one of the most trusted and commonly used methods of payment worldwide.

## **6. Electronic Money Institutions: The Cases of PayPal and Stripe**

PayPal is an American multinational financial technology company (PayPal, 2023). It is an online payment platform that is accessible through both a website and a mobile app, facilitating online money transfers between individuals and businesses. Users establish an account, linking it to a checking account, a credit card, or both. Upon verification of identification and funds, individuals can conduct online or in-store transactions through PayPal (Kagan, 2022). A multitude of businesses, ranging from small to large, both online and in physical locations, accept payments through PayPal. It operates in the majority of countries that support online transaction methods (PayPal, 2023). Unfortunately, despite all the efforts and demands, it is not working in Pakistan. Not only does the lack of PayPal in Pakistan act as a barrier to entry for Pakistani businesses on established e-commerce platforms, but also makes it considerably difficult to open independent online stores.

Similarly, Stripe is a payment service provider, millions of companies of all sizes use Stripe online and in person to accept payments, send payouts, automate financial processes, and ultimately grow revenue (Stripe, 2020). This is one of the best payment gateways, but unfortunately, this also does not operate in Pakistan. According to a research published in the Pakistan Institute of Development Economics, Islamabad (PIDE), the main obstacles behind the entry of PayPal, and presumably other EMIs, in Pakistan are regulatory restrictions, money laundering, lack of support by the government of Pakistan, Insufficient digital infrastructure, exchange control, and capital control issues, etc (Jalil, 2021).

### **6.1 Regulatory Hurdles**

The regulatory restrictions pose a significant hurdle, with the State Bank of Pakistan mandating a substantial initial capital requirement of Rs. 200 million for Electronic Money Institutions (EMIs) to operate in the country (State Bank of Pakistan, 2023). This means, that if a business wants to start this electronic money business, it will need at least Rs. 200 million. Once the business is running, it will always need to have a certain amount of money to make sure everything is secure. This ongoing amount depends on how much electronic money the business is handling. It has different levels based on how much electronic money the business deals with daily.

**Table 1**

*Regulatory Requirements for EMIs Set by State Bank of Pakistan*

	<b>Average Daily Outstanding E-Money Balance (OEB)</b>	<b>On-Going Capital Required</b>
1	Up to PKR 4 Billion	PKR 200 million
2	Between PKR 4 Billion and PKR 10 Billion	PKR 200 million plus 5% of Outstanding EMoney Balances (OEB) in excess of PKR 4 Billion
3	Between PKR 10 Billion and PKR 20 Billion	PKR 500 Million plus 7.5% of Outstanding EMoney Balances (OEB) in excess of PKR 10 Billion
4	Above PKR 20 Billion	PKR 1.25 Billion plus 10 % of Outstanding EMoney Balances (OEB) in excess of PKR 20 Billion *

\*The EMI is required to inform SBP as soon as the OEB exceeds PKR 20 Billion.

Source: *State Bank of Pakistan*

If the daily electronic money transactions are up to Rs. 4 billion, it will need to have at least Rs. 200 million as ongoing capitals. If the daily transactions are between Rs. 4 billion and Rs. 10 billion, it will need the starting amount plus 5% of any extra money beyond Rs. 4 billion (State Bank of Pakistan, 2023). For transactions between Rs. 10 billion and 20 billion, the business will require even more ongoing capital, the starting amount plus 7.5% of any transactions beyond Rs. 10 billion. Finally, if the business grows further and deals with more than Rs. 20 billion in daily transactions, it will need the starting amount and 10% of any extra transactions beyond Rs. 20 billion (State Bank of Pakistan, 2023). Such a harsh regulatory environment not only creates a huge barrier to entry but also poses immense maintenance challenges. This is one of the critical reasons behind the reluctance of international digital payment systems to operate in Pakistan.

### **6.2 Money Laundering Concerns**

Money laundering is another huge obstacle for PayPal not entering Pakistan. Over the past few years, increased money laundering activities have raised regulatory hurdles for international electronic payment service providers in Pakistan. Because of Pakistan’s placement on the grey list by the Financial Action Task Force (FATF), international service providers or EMIs have to ensure strict regulations to avoid money laundering. Or else, the State Bank of Pakistan (SBP) has the power to cancel their licenses (State Bank of Pakistan, 2023). But the question here is PayPal is working in countries with far higher risks of money laundering than Pakistan. Some countries are on the grey list of FATF and still PayPal is working fine in those countries (Jalil, 2021). This means that the consistent effort by the government of Pakistan and the State Bank can make it possible, they simply need to undertake decisive actions in this regard.

### **6.3 Advancement in PayPal Access Efforts**

A solution to the international payment systems' lack of trust in Pakistan would be a leap toward e-commerce growth. The most recent advancement regarding access to PayPal has been that it will be functional in Pakistan not directly but through a third party (Amin, 2024). The third party in this case is Payoneer, an existing company for online transactions, which most Pakistani people use for international transactions. Now they have enhanced their services and added an option of receiving payments from PayPal users. Payoneer is teaming up with PayPal to enable PayPal as a payment option for Payoneer users. For example, if you're a company based in the US that hires freelancers in Pakistan, you can now use your debit or credit card to make payments to freelancers through Payoneer. This recent collaboration permits Payoneer users to utilise PayPal for making payments in addition to their regular debit or credit card options (Hassan, 2024). However, PayPal itself is still not functional in the country (Hassan, 2024), and it seems that there are multiple hoops that Pakistan’s government may have to jump through to make it possible.

## **7. Lack of Secure and Stable Internet Provision**

Pakistan has consistently ranked low on internet speeds, even in the region. According to the Ookla Speedtest Global Index 2024, Pakistan has a ranking of 100th out of 111 countries in mobile internet speeds and 141st out of 158 countries in broadband speeds as of October 2024 (Tribune, 2024). The state of internet speed was worsened in 2024, when the government implemented a Firewall on the internet at a national level, greatly reducing the speed and functionality of websites on the internet. Ever since the implementation of the firewall, where the government's goal has been to restrict social media sites, it deliberately slows down the internet, especially on social media (Abassi, 2024). It is worth noting that social media sites not only act as communication tools but are also the main marketing platforms for e-commerce businesses. Thus, the slowing internet and the governmental crackdown on social media sites have a negative impact on the e-commerce environment and infrastructure within Pakistan. This negative impact was estimated by the Pakistan Software Houses Association (PSHA) to cost over 300 million dollars to the Pakistani e-commerce and IT exports industry, as 2.3 million freelancers faced a decline in their earnings owing to the internet outages and instability (Shabbir, 2024).

The firewall caused disruptions to the internet have been well-documented and reported by all the major national and international news media outlets (Abassi, 2024; Siddiqui, 2024; Shahid, 2024). The reports also indicated the struggles of call centres and freelancers that form an active part of cross-border e-commerce in Pakistan (Abassi, 2024). In the four months of August to December of the year 2024, a decline of over 30-40% in internet speeds was reported by the Wireless and Internet Service Providers Association of Pakistan (WISPAP) (Shabbir, 2024; Siddiqui, 2024). The chairman of WISPAP attributed this deterioration to the government's introduction of a "web management system or firewall" (Siddiqui, 2024). Similarly, Fariha Aziz, co-founder of Bolo Bhi, a digital rights and civil liberties organization, criticized the lack of official transparency regarding the firewall. She asserted that the authorities have avoided acknowledging its existence, adding, "Sustained opacity appears to be the government's official policy" (Siddiqui, 2024). Amnesty International similarly expressed concern over the issue, urging the government to provide clarity on the disruptions (Amnesty International, 2024). Jurre Van Bergen, a technologist at Amnesty International, stated, "The opacity of the Pakistani authorities regarding the use of monitoring and surveillance technologies that block content, slow down and control internet speeds is an alarming concern. Time and again, the use of such technologies, including national firewalls, has proven to be incompatible with human rights... The internet is critical for the enjoyment of the public's right to be informed, citizen's self-expression, e-commerce and the digital economy" (Amnesty International, 2024).

The implementation of the Firewall by the government and the frequent outages of the internet in the country act as a decisive factor behind the future of e-commerce in the country. On the international level, this instability creates reduced trust for the Pakistani e-commerce service providers and exporters in the international market. Therefore, it becomes clear that any policy regarding the people's financial and e-commercial future should be made with due involvement of stakeholders in the policymaking processes.

## **8. E-Commerce Trust and Performance: Insights from the UNCTAD B2C Index**

The most trusted index in measuring e-commerce in the world is the UNCTAD B2C e-commerce index; the higher the score and ranking on this index, the higher the potential and trust among the buyers and sellers, resulting in greater online shopping trends (UNCTAD, 2019, p. 2). By looking at the methodology of this index, the factors behind the success of e-commerce and trust-building can be found. The UNCTAD B2C e-commerce measures four factors: a) Account ownership at a financial institution or with a mobile money service provider, b) Individuals using the Internet, c) Postal Reliability Index, and d) Secure Internet servers (UNCTAD, 2019). In this index Pakistan ranks at 114 out of 152 countries in the Index, while the United States ranks at 13. Pakistan also lags far behind its neighbours, where Iran ranks 42, India ranks 73, and China ranks 15 in the world (UNCTAD, 2019). The following chart in Figure 1 shows the comparison of the e-commerce trust index among Pakistan, the United States, and India.

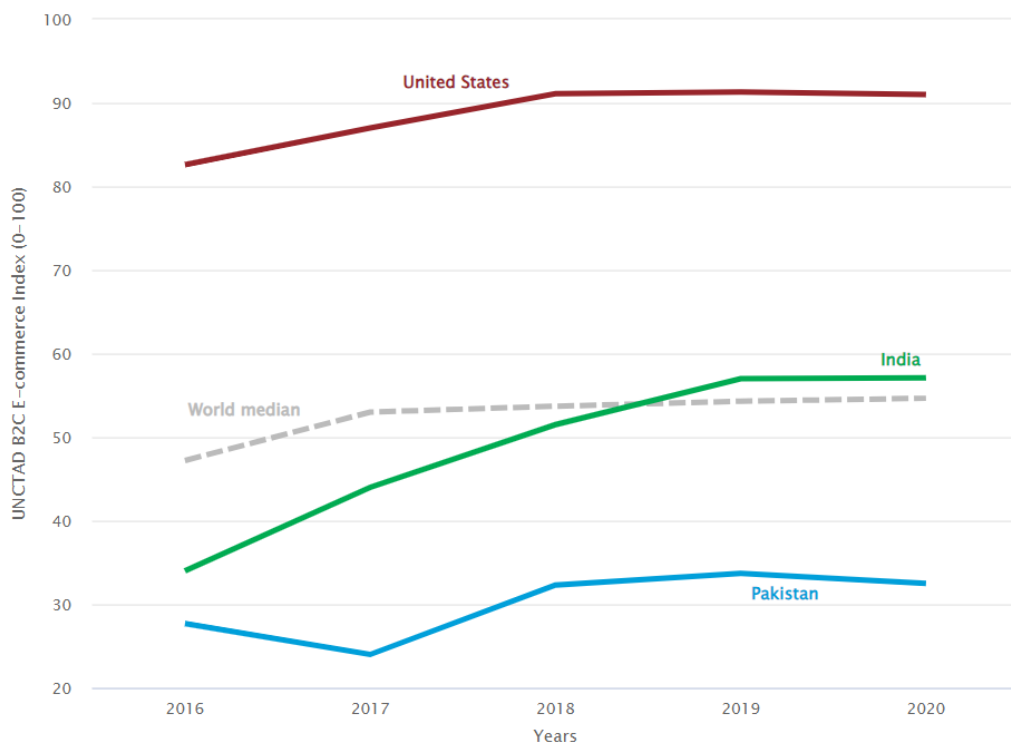


This research, by discussing multiple trust barriers in detail, corroborates Pakistan's low ranking and score on these factors. For example, malpractices in Customs offices contribute to a lower score on the postal reliability index. Similarly, the lack of secure internet access directly impacts the e-commerce index, as highlighted in the previous section, creating a major obstacle to Pakistan's e-commerce growth. To build trust and enhance performance, the issues identified in this research must be addressed in line with the key factors critical to e-commerce success.

**Figure 1**

*Comparison of UNCTAD E-commerce Index Scores: Pakistan, USA, India, and World Median (2019). Chart auto-generated by author using the World Bank's ProsperityData360 tool*

**UNCTAD B2C E-commerce Index (0-100)**



**9. Analysis: Recognising the Trust Barrier**

There is an inherent connection between trust and economic prosperity, which helps build long-term business relationships. Therefore, countries with higher levels of trust tend to experience stronger economic growth. However, trust which is often misattributed as only an abstract idea, is a multifaceted concept influencing various aspects of economic interactions, from macroeconomic indicators like per capita real GDP growth to the dynamics between trust and government regulations. The above research shows that trust is not only a predictor of economic prosperity but is also considered a fundamental element in shaping the success of e-commerce, both nationally and internationally. Therefore, identifying the trust barrier in any economic relationship serves as the first step toward its solution.

Pakistan and the United States' e-commercial trade suffers from the trust deficit that damages the potential for growth, adds to the existing problems faced by sellers and buyers, and limits the volume of e-commercial trade between Pakistan and the United States. Despite positive trade relations between the two countries, major U.S.-based online companies, including Amazon, eBay, Stripe, and PayPal, exhibit hesitancy in operating in the Pakistani market. This uncovers that the hesitancy negatively impacts the growth potential of the e-commerce sector,

affecting both consumers and businesses. The trust deficit that is apparent between technological giants and Pakistan's business environment exhibits itself in issues faced by Pakistani merchants on global platforms like Amazon, where despite commendable growth, issues such as hacks, frauds, and malpractices create challenges for sustained operations. Additionally, the outdated customs practices and corruption in the customs office pose hurdles to a smooth import and export environment for e-commerce.

Furthermore, when it comes to digital payment systems, focusing on the absence of PayPal and Stripe in Pakistan, regulatory hurdles, strict capital requirements, and concerns about money laundering contribute to the reluctance of these international payment systems to operate in the country. The research finds a need for decisive actions by the government of Pakistan and the State Bank to address these issues and attract global payment systems.

For the sake of comparison, the case of India provides a good example; India is in the countries serving list of PayPal (PayPal, 2023). PayPal is operational in India to make or receive international transactions. It is open for any kind of business to sell internationally. Although, the wallet feature (for national transactions) is not available for personal use, but they can use PayPal to make purchases around the world for goods and services (PayCEC, 2023). India is a leading country in technology and has a huge e-commerce market. According to a FICCI report, the Indian e-commerce market is expected to achieve a valuation of \$120 billion by the year 2026 (FICCI, 2023). As per other estimates, by 2033-2034, the Indian e-commerce industry is anticipated to outpace both its American and Chinese counterparts (Singh, 2022). The e-commerce sector in India is undergoing a transformative phase, driven by emerging technologies such as Artificial Intelligence (AI), Data Analytics, and online payment gateways like Unified Payments Interface (UPI). In all these sectors, as studied above, Pakistan faces a lack of enthusiasm among potential investors, whereas India has built open and tech-friendly policies nationally and internationally to win the trust of investors (CSC, 2023).

Although Pakistan is persistently trying to improve its e-commerce ecosystem; however, the state's foreign policy does not reflect enough effort. It is crucial for Pakistan to also employ diplomatic instruments to advance its goals in e-commerce. The trust deficit between Pakistan and the United States is hindering their progress in expanding bilateral trade in this age of the Network Economy. Most of the developed economies that are leading the e-commerce industry, such as the EU, have dedicated policies and foreign diplomatic efforts that guide their e-commerce ventures.

Similarly, the trust between Pakistan and China on a bilateral level is also reflected in their e-commerce relations as Chinese online platforms like Alibaba and AliExpress smoothly operate in Pakistan, and are the source of the largest e-commerce revenue share in Pakistan (Statista, 2024). Additionally, Pakistan's biggest online platform, Daraz, is also used by Chinese vendors, and they are selling their products directly to Pakistani consumers. This means China has already tapped into the Pakistani consumer base while the US-based platforms remain hesitant. On the other hand, the relationship between Pakistan and the United States does not deliver a focused effort on meeting their foreign policy goals through such innovative instruments as e-commerce.

This research also reveals Pakistan's lack of robust institutional frameworks, such as weak regulatory systems, underdeveloped digital infrastructure, and inconsistent trade policies, which create an environment of uncertainty. International entities typically rely on clear and enforceable legal structures to ensure secure and reliable operations. In Pakistan, the absence or ineffectiveness of such institutions hinders trust building, making foreign businesses hesitant to engage in the country's e-commerce sector fully. Taking this approach and the concept of trust together, this research proposes that optimal conditions for Pak-US e-commerce would require the intersection of four conditions: 1) Reliable policies and regulatory framework with inclusion of stakeholders in the policymaking process, 2) Trust between the international entities and the country's business environment, and most importantly, 3) Presence of security measures for fraudulent practices, including a seamless and efficient

postal service, and 4) Stable and Secure internet service provision.

## 10. Conclusion

In conclusion, the paper effectively explores the mutually reinforcing relationship between trust and cross-country e-commerce, using the case study of Pakistan and the United States. It covers the significance of trust in shaping economic prosperity and the challenges posed by a trust deficit in the context of e-commerce. A careful analysis of the hurdles faced by Pakistani merchants on global platforms, the complexities in customs practices, and the absence of key electronic payment systems like PayPal and Stripe highlight the nature of trust-related issues. The problems manifested in the Pakistani e-commerce atmosphere highlight the trust barrier that international e-commerce platforms and enablers need to be lifted in order to become fully operational in the country, this demands the attention of all stakeholders within Pakistan.

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**Alishba Rahman** is an M.Phil. graduate of the Area Study Centre for Africa, North and South America, Quaid-i-Azam University, Islamabad, Pakistan. She got an MA Political Science from the International Islamic University, Islamabad. Her research interests encompass innovative and digital trade relations between states. ORCID: 0009-0007-1540-6491

**Tahir Jamil** is an Assistant Professor at the Area Study Centre for Africa, North and South America, Quaid-i-Azam University, Islamabad, Pakistan. He got his master's and PhD degrees in International Studies and Political Science respectively, from the School of Politics and Economics (SPE) at Claremont Graduate University, California, USA. His research focuses on sociopolitical issues within American and Pakistani societies. ORCID: 0009-0003-3567-091X

**Fatima Hassan** is an M.Phil. graduate of the Area Study Centre for Africa, North and South America, Quaid-i-Azam University, Islamabad, Pakistan. She got an MA Political Science from the International Islamic University, Islamabad. Her research interests encompass political and civil society relations on an international level and American politics. ORCID: 0009-0007-0704-4865

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