
**E-TRADE AS AN
ECONOMIC TOOL
TO BOOST
NIGERIAN
ECONOMICS**

By

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Abstract

The paper dwells mainly on the background of trading in Nigeria. It examines current trade practice in Nigeria and application of e-trade efficiency in Nigeria's economy. It examines the acceptance of this innovation by the trading community and to which degree it will affect the growth of Nigeria's economy. It evaluates complexity of trade procedures prior to the spread of ICT innovations on trade practice which the e-trade platform proffer solutions to traders especially importers and exporters of both companies and private individuals are plunged to complex trade process, inefficient border practice, un-simplified trade processes, costly transaction methods which amounts to high production and consumer goods. The evolution of e-trade which become a panacea to the identified problems has not received enough

scholarly attention: it is against this backdrop that the study becomes imperative using the qualitative technique. The study reveals the challenges and prospects in e-trade implementation. It was discovered indeed that e-trade if finally implemented in Nigeria, will unarguably boost economy and encourage beneficiaries to embark on more exportation and importation of goods which in turn will lead to economic stability and growth. The study proffers useful suggestions on other aspect of automation needed in the customs service.

Keywords: e-trade, Automation, Services, Goods, ICT

Introduction

E-trade is a cross border paperless trade. It's an over-arching topic that covers the import-export cycle for goods and services between countries addressing issues like online buying and selling of goods and services from any part of the world. Transferring goods and services across the border including the exchange of paperless document between businesses and government and delivering these goods and service to the buyer is one of the major benefits offered by e-trade

A study by the United Nations conference in trade and development (UNCTAD) shows that a typical trade transactions passes through 27 to 30 parties including

brokers, banks, carriers, sureties, freight forwarders. At least 40 documents are needed not only for government authorities but also for related businesses over 200 data clusters are typically requested of which 60 to 70 percent rekeyed at least once while 15 percent are retyped 30 times. This delays documentation and amount to increment in cost of production which on the other hand led to expensive consumer product. The current trade practice in Nigeria is major bottleneck in achieving desired economic growth. Trade practice in Nigeria is categorized by complexity with bloated bureaucratic processes, sharp practice, increased stake holders and consequently increased cost according to sonny Allison the founder of and executive chairman of GMC logistics limited during the 7th Africa center for supply chain (ASCC). The complexity in trading system in Nigeria can be seen under the following heading category, lack of transparency in trade processes, un simplified trade processes, Inefficient border procedures, Lack of harmonization and modernization.

Trade facilitation which is designed as a means to ease trade by reducing complexity and cost of production or transaction is the sure way to strengthen red tape encountered in trade that hinders economic growth .According to Sonny Alison during the 7th

Africa CENTER FOR SUPPLY CHAIN stated that for trade facilitation to take place effectively and efficiently, that four principle must be present which include transparency, harmonization, simplification and standardization.

Studies shows that trade facilitation needs automation to make trade processes more efficient and more productive. The automation is a single window platform which enable total achievement of paperless trade. The single window enable traders to key in trade information in electronic format to meet export & import and transit regulations only once and to make payment transfers only once. This platform can be enabled by application such as e trade which is an automated platform that enable online trading. The platform will enable total achievement of paperless trade .According to deputy director monitoring and enforcement, Nigerian shippers council Cajetan Agu who said automation is the way to go and called on government to implement single window as its not working in Nigeria. It's based on common international standard that provides for an interoperability of trade formation flow so full implementation of these systems can spur trade competitiveness, expand trade flow and

promote economic integration and growth. (ESCAP, 2008).

Statement and Significance of Problems

There is enormous amount of documents to be processed during trade transaction in all the countries in the world. An OECD study concludes that estimate of trade transactions cost range from 2 to 25 percent of the total transaction value and that is an approximate estimate for world trade is 550 billion dollars each year. This result in enormous of time and money wasted and its hampering business, stifling growth and holding back economic growth. No matter how efficient paper based documentation might seem to be, it will deficiently not meet up with the standard require to heighten economic growth. Despite trade liberalization, this is an incorrect cost to international trade associated with irrelevant customs and border procedures. The e-trade platform which is an ICT based trade innovation facilitates trade by changing the working conditions of the customs and government services. The trade platform is a paperless trade documentation and real-time information string with relevant agencies within and across national boundaries.

- Inefficient border procedures
- Un-simplified transaction processes

- Lack of transparency
- Unautomated means of handling transactions across borders
- Lack of standardizations.

Research questions and objectives

1. What are the key drivers for effective implementation of ICT (e-trade) on trade facilitation?
2. What are the factors influencing business competitiveness at the cross border trade?
3. How can ICT innovation such as e-trade overcome the obstacle what impact has ICT on business?

Objective of the study

- To identify the significance and effectiveness of e-trade application in promoting economic growth in Nigeria.
- To identify the importance element that influences business competitiveness at the cross border trades
- To explain the concept of trade facilitation and its efficacy in enhancing business competitiveness in Nigeria
- To highlight the challenges facing Nigeria and other under developed countries in full implementation of trade facilitation strategy.

Scope of the Study

Given the minimal time frame for the study and the desk based nature of the study the information was gathered basically through the use of internet services, email, and personal contact with the people working at the Nigerian port authorities and literature review no visit was made physically at the any place in Nigeria for the research work or study. The study focused on the trade community only which individual body public and private sector the study focused only formal trading center.

Methodology

The chapter describes the research method used such as selection of key informants and sampling plans (population of interest, sample size, and sampling method). It covers data collection method survey, in-depth interviews, participation observation, focused group discussion and document reviewed.

Research Method

The study uses a qualitative research method and its unit of analysis is a minimum of 16 organization. The following are the qualitative research method used: documentary research; used different source of secondary data such as (google newsletter on business by punch newspaper etc). Report gathered from email

phone call visit to the key informant. Focused group discussion (only traders were used for it).

Limitations of the Study

In terms of limitation, due to some physical challenge such as transportation cost and time, the study conducted research in two main locations in Nigeria Port Harcourt Airport and Enugu Airport. Additional research will be done at two other research field if necessary given time and money. Based on current available resources it was assumed that there are full cooperation and credibility of all key informants, availability of all secondary data that are official such as trade volume and political stability.

What really is ICT?

Information and Communication Technologies (ICTs) are rapidly consolidating global communication networks and international trade with inevitable implications for people in developing countries, including Myanmar. ICTs have been recognized and promoted by the United Nations as one of the key areas to bring socio-economic opportunities for all citizens from developed and developing nations (United Nations, 2009). Today, the innovations and technological

advances in the ICT field are far outpacing the evolution in development thinking and practice. Almost all governments across the world have embarked in a long process of continuously integrating ICTs into their development policies and programmes by formulating e-strategies and incorporating ICTs into poverty reduction strategies (United Nations, 2009).

We live in the world where the use of technologies is fostering economic and social development at an unprecedented scale. Technology in the developing world is helping to close the digital divide, creating opportunities to meet long-standing challenges to international development goals (United Nations, 2009). ICT can broadly be defined as a tool to disseminate information. In the context of much of the developing countries, it is a vehicle for communication rather than a means of processing information (Curtain, 2003). There are two types of ICTs old and new.

Old ICTs, which are more wide spread in the region, are radio, television, and analogue and high frequency two-way systems. These ICTs are low cost, require little skills to operate and can deliver relevant information to the users in their local languages. The disadvantage of this system is that it promotes only one sided

communication and the information can be biased or censored (Curtain, 2003).

New ICTs, which are the new digital technologies, such are computers, satellite sourced communications, and the Internet, have four main characteristics (i) interactivity, (ii) permanent availability, (iii) global reach, and (iv) reduced costs for many (World Bank, 2003).

The new ICTs, in developing countries in the region fits into three broad categories, namely computing, communication, and Internet-enabled communications and computing (Quibria and Tschang, 2001).

ICT Applications

ICT applications can reduce waiting times at border crossings and at ports, secure appropriate processing of fees and Custom duties, simplify formalities, and provide timely information to transport operators. ... (They) reduce transaction costs, enhance supply capacities, and increase global market access” (UNCTAD, 2006a and 2006b).

ICT applications can support sustainable development, in the fields of public administration, business, education and training, health, employment, environment, agriculture and science within the framework of national e-strategies. This would include actions within the following sectors, as mentioned earlier: E-

Government, E-Business, ELearning, E-Health, E-employment, among others.

How are developing countries faring in ICT adoption and what are their future prospects? To gain insights into these important issues, it is important to study the economic determinants of ICT adoption.

Business Competitiveness

Backward technologies and rigid business operation and management can hardly survive the market competition. ICT has become one of the most important factors for enterprises to sharpen their competitiveness both domestically and overseas.

Complex and bureaucratic trade documentation procedures are not the only impediments to trade facilitation and businesses. Unclear legal instruments are another issue that has severe implications to businesses. Proper dissemination of trade-related information is another crucial component. Its influence is felt in two main areas i.e., the processing of trade documentation for trade transactions and the timely dissemination of trade procedures to the trading community (ESCAP, 2004).

According to the UN/CEFACT, export process has an average of 27 parties involved and 40 plus documents, 300 plus copies to manage export process (see figure

3). Cumbersome procedures and excessive paperwork that cost as much as 15 % of the value of goods traded.

The time wasted by inefficient trade procedure is one of the non-physical barriers on trade transactions and each day saved is equivalent to half a per cent of trade tariff and seven per cent of value of international trade is the cost of administration of trade logistics (UNCTAD, 2006c). Generally, 7 to 10 % of value of today's international trade is spent on

Customs formalities and a typical trade transaction involves 30 parties, 40 documents, 200 data elements – 60 % of which need to be retyped at least once (ESCAP, 2002). The lack of transparency and duplicated trade procedures in paper-based traditional trade facilitation significantly increases Government expenditures and places additional financial burdens on many developing countries. According to UNCTAD (2006c), US\$ 100 19 million could be saved each year through the application of ICT in international trade transactions and operations and in some cases, even more. For example, it is estimated that the savings achieved after the introduction of the TradeNet system in Singapore amounted to US\$ 1 billion per year (EJISDC, 2006).

ICT for Trade Facilitation (E-Trade)

Paperless trade could save businesses more than half a billion dollars a year globally.

The savings would come from streamlined customs procedures, thereby reducing delays at border crossings (ESCAP, 2007).

Business processes that are accomplished by moving paper can now be managed electronically – from the very beginning to final disposition. The delays normally associated with hard-copy documents and manual processing can be minimized with the workflow systems.

As mentioned earlier, ICT applications in trade facilitation refers to activities, processes and procedures that have adopted some degree of ICT in order to facilitate trade transactions, particularly in the fields of Customs formalities, trade documentation flow and trade security. In other words, it is an ICT enabled simplification, harmonization, and automation of administrative and trade procedures towards efficient and effective trade facilitation (ESCAP, 2006).

ICT is the engine which facilitates exchange of information in such a manner as to ensure that trade flows in a timely manner, with the absolute minimum of administrative impediments, while reducing a number of physical impediments. This is the fundamental

rationale behind the WTO and GATT articles (ESCAP, 2006).

Single Window

Single Window is basically built at the national level. It aims to expedite and simplify information flows between trade and government (UN/CEFACT Rec. 33). It is a system which enables a single submission of data and information, a single and synchronous processing of data and information; and a single decision-making for customs release and clearance (for NSW – ASEAN).

Single Window is essentially a political/organizational concept: to simplify the submission of information from trader to government, to exchange information between government agencies (Customs, Agriculture, Health, etc.) in a country, to deliver information and approvals from government to trader, it can also be extended to exchange information across borders, and all based on international standards (ESCAP, 2008).

Some of its features include:

- Lodge (only once) standardized information and documents with a single entry point;
- Sharing of information government agencies;

- Provide coordinated controls and inspections of the various governmental authorities;
- Allow payment of duties and other charges; and
- Be a source of trade related government information.

A truly integrated Single Window Trade Facilitation system should include various stakeholders participating in the transition or migration process (figure 5). If the system is not reflected in the national ICT policy and plans and regarded as a stand-alone initiative, integration and collaboration with other government agencies and private sector might prove difficult. ICT infrastructure and human resource requirements of trade facilitation should also be reflected in the national ICT strategy, because they require a much broader intervention from authorities responsible for ICT capacity building and infrastructure (ESCAP, 2006).

It may be easier to establish a Single Window in developing countries as it may be easier to set up an integrated mechanism from scratch rather than attempt to overhaul an existing system into an integrated mechanism. For many developing countries, access to such innovative technologies and their associated benefits is not a straightforward exercise as they face

capacity and financial constraints. In terms of financial constraints, the set-up costs for implementing a Single Window are higher than operating costs. However, it is important to note that the long-term savings are much higher than the cost of setting up and operating Single Window (ESCAP, 2006).

The benefits of establishing a Single Windows model to facilitate trade in modern trading world are now widely recognized. Single Windows forge a single connection between all stakeholders in the trading community, which allows them, from a single point of entry, to transmit, and receive a specific data set, whenever and in whatever quantity or extent they wanted, as well as in any data standard and format they need to fulfill requirements for import, export and transit regulations and clearance. In other words, Single Windows expedite and simplify information flows between trading community and the Government (ESCAP, 2006).

To achieve efficient trade facilitation, it is important for a country to learn about the role of ICT in the modern trading world as it begins to tackle the trade regime reform agenda.

Therefore, any ICT application for trade facilitation should be set against the broader

context of a country's ICT policy and strategy (ESCAP, 2006).

LITERATURE REVIEW

Trade Facilitation and Its Essence in Promoting Economic Growth in Nigeria

Trade facilitation is the concept to easy complexity and high cost associated with trade transaction processes and ensuring that all the activities takes place in an efficient ,transparent ,and predictable manner according to the United Nations Center For Trade Facilitation And Electronic Business (UN/FACT) “ TRADE FACILITATION is defined as the simplification ,standardization ,simplification and harmonization of procedures and associated with information required to move goods from seller to buyer.(UNCTD) study shows that a typical trade transaction passes through 27 to 30 parties including brokers, banks, carriers ,sureties. At least 40 document, and freight forwarders .At least 40 document are needed to be processed and are mostly done using paper based method. This method of documentation amount to enormous cost and wastage of time on trade traction processes. An OECD study concludes that estimate of trade transaction cost ranges from 2 to 15 percent of the total transaction value and that amount to approximate

estimate for the world trade WHICH is 550 billion dollars each year .This result in an enormous amount of time and money wasted and its hampering businesses, stifling growth and holding back economic development particularly in developing countries like Nigeria.

The WTO general council adopted the resolution protocol on trade facilitation agreement at its summit in November 2014 to address the challenges posed by barriers and constraints to trade across the member state by the customs service .WTO during its 20th anniversary noted thus “under the current border procedures, the average transaction can involve numerous steps, The trade facilitation agreement TFA SEILO FOURT A SERIES of measures for expeditiously moving goods across border inspired by the best practices from around the world. The agreement is welcome development as this is the first in his of WTO that the consideration to support least and underdeveloped countries is coming into their agenda to render assistance to very magnanimous capacity to implement the TFA .In addition ,the agreement states that assistance and support will be given to these countries to help them achieve that capacity. The protocol help to easy the flow of goods and across the borders through the removal of several barriers that inhibits

movement of goods across borders developing and least developed countries are the beneficiaries of the TRA as it supports them to overcome seamlessly, several barriers and constraints that effects importation and exportation across their borders .The TFA enters into force on February 2017 following ratification by two third of the membership .The TFA which contains provisions for expediting the movement ,release of and clearance of goods including goods on transits ,it also sets out measures for effective cooperation between customers and other appropriate authorities on trade facilitation and customs compliance issues.it further contains provision for technical assistance and capacity building in this area .According to information gathered by business – maritime, to spur favorable competitiveness in international trade express logistic supply chain have stressed the need for Nigeria to implement the provision of the trade facilitation act when it comes into full force. It was argued that since Nigeria has rectified the trade facilitation agreement, the new regime will would attract more investment and boost economic activities in the country if properly implemented.

Challenges Facing E-Trade Facilitation and Implementation in Nigeria.

A report by the Organization for Economic Cooperation And development (OECD) revealed that trade facilitation is particularly important for developing countries. The OECD ascertained that least developed and developing countries like Nigeria will largely benefit from more efficient trade procedures.

It however stated that achieving it may be more challenging for underdeveloped countries than for the developed world. If the benefits are so attractive, the big question is why are some countries reluctant to commit trade facilitation in multilateral negotiations? One reason is that developing countries particularly improving on inefficient customs systems may place multiple demands on limited resources. Another is that government will have to fund some of the reforms before they see any benefit in form of increased revenue and trade, although initial benefits can then be used to pursue further reform. The most important course for concern is the difficulty of finding out how much it will cost to establish an effective trade facilitation platform or how much reform government would have to undertake before the benefit begins to mature.

Cost of Trade Facilitation Implementation

Accessing specific cost of trade facilitation is a problem because government will not attain trade facilitation alone due to the fact that trade facilitation is mostly part of a wider reform effort that is often driven by elements such as the transition to a market economy or accession to a regional grouping or trade agreement, so because of this, it is specific allocation of funding to trade facilitation per se making it all more difficult to access specific cost.

Cost Involved in introducing trade facilitations. Measures involved in introducing new trade regulations, institutional changes, training equipment and infrastructure regulatory cost arise because trade facilitation measure may require new legislation or amendments to existing laws requiring time and staff specialized in regulatory work. But reforms that do not require legislative changes mostly seem to be handled at the national level and thus entail little additional cost. Institutional arise because some trade facilitations measures requires setting up new limits such as risk management tea or a central enquiry point which may require additional staff. This equally involves cost even if existing staff are redeployed, mainly because of training requirements.

The OECD said training is probably the most important element of trade

facilitation, since the whole process is primarily about changing border agencies ways of doing business. Countries may choose to recruit new expert staff, train existing staff or import trained staff through exchange with other ministries and agencies. Recruiting new expert staff is the most costly option. Most countries that has gone through this reform trained their existing staff in the job. The financial cost of training the existing staff is low but it takes a lengthy process as staff needs to simultaneously perform their normal duties. Equipment and infrastructure are often costly, although their role in trade facilitation should not be overstated.

Cost of Infrastructure: most equipment and infrastructure should be views as implementation tools that should be carefully combined and sequenced with regulatory, institutional or human resource changes. Information and communication technology may help improve efficiency and effectiveness, if the system is automated.

At the same time, insufficient equipment and infrastructure makes some facilitation measure, such as pre-arrival processing or risk management more difficult to implement. Evidence available to date suggest that these costs are more than offset

by staff savings at the border and by enforced control ad revenue collection.

Benefits of Trade Facilitation

Countries that has undergone the reform in trade facilitation have seen the benefits exceed the cost in many cases by a wide margin. By the time it was midway through a five year customs modernization program. Angola had increased customs procedure to 24 hours. Making the nuts and bolts of trading procedure easier to navigate requires transparency on the regulation and procedures and consistency, predictability and non-discrimination in their application. Traders also need to be able to provide feedback on which the system works well and where it poses them problems.

Transparency of relevant domestic regulations, procedures and practices is widely recognized as essential for ensuring that regulatory objectives are achieved efficiently while at the same time enhancing the benefit expected from trade and investment liberalization. Businesses need to be able to fully understand the conditions and constrains for entering and operating in a market. Openness about the way the system works also improves public confidence in the government's performance and that of the regulatory system among transparency measures, internet publication setting enquiry points

or issues advance rulings will entail some inception and training cost but these are mostly counterbalances by cost saving in other areas the study reveals.

Simplifying border procedures is at the heart of trade facilitation method that help[reduce waiting time at the border is to allow traders and transporters to file their documentation for a shipment before its arrival at the border this requires a certain degree of automation on the customs side at the most efficient way to do this is online even in limited use of advanced filling of document has generated import savings in the number of staff engaged in processing document and reduced border crossing time

Risk Assessment Management it another usefully tool to asses and manage the risk that an individual shipment violates border control ,this allow customs administrators to pay less attention to “low risk” travelers and shipment, allowing the redeployment of customs resources on intensified control for travelers and shipment judged to represents higher or unknown risk. Such system also do away with unnecessary burden on traders by downscaling physical inspection and reducing bottlenecks at border crossing this the report said is one of the costliest trade facilitation measures as it requires investment in infrastructure and specialist training. Multilateral discipline in

trade facilitation will enhance a broad level of predictability in border controls for all participating countries, simplifying trade for all participant.

Simplification and harmonization of international trade procedures covers the activities, practices and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade.

A study by the United Nations Conference on Trade and Development (UNCTAD) show that a typical trade transaction passes through 27 to 30 parties including broker's banks, carriers, sureties and freight forwarders. At least 40 documents are needed not only for government authorities but also for related businesses. Over 200 data elements are typically requested of which 60 to 70 percent are rekeyed at least once, while 15 percent are retyped 30 times.

An OECD study concludes that estimate of trade transaction cost range from 2 to 15 percent of the total transaction value and that an approximate estimate for world trade is 550 billion dollars each year. This result in an enormous amount of time and money wasted and its hampering business, stifling growth and holding back economic development particularly in developing countries like Nigeria.

Simplified international trade procedures based on global standard and recommendation are considered very important by all countries. The simplification of international trade procedures will enable small and medium sized enterprise to embrace on importation and exportation of goods. SMEs are a major contributor of economic growth in Nigeria and they are most vulnerable to trading difficulties. They will benefit from simplification of trade processes since the cost of complying with cumbersome procedures are proportionally light for them.

Transparency of trade regulation: this essentially relates to border procedures such as customs and port procedures and transport formalities. Harmonizing customs requirement among other problems of trade in Nigeria can slash the cost and time needed to export and import goods in Nigeria.

According to Allison who is cynical about the future of the nation's economy restated that despite the effort Nigerian custom Service is making to ease trade and enhance trade, it has not yet attained the required standard. This is a major impediment to trade in Nigeria thereby stifling economic growth; inefficient procedure can have a significant impact on government, business

and ultimately the customer and the economy as a whole. Porous or loosed borders encourages smuggling of contraband goods, fraud and national security problems, which drain the public coffers, while businesses pay the ultimate price for slow and unpredictable goods delivery, costly customs procedures and even loss of business opportunities and all these cost, experts believe ultimately makes goods more expensive for the consumer.

For many countries, the welfare benefits from more efficient customs procedures could be as high as a problem for all trading nations. Inefficient border procedures are also likely to lead to poor export competitiveness and make the country involved least attractive to investments.

According to Obiora Mmadu the director general ASCs, said, ‘until we (Nigerians) change the way we do things in Nigeria, challenges facing trade in Nigeria can never be resolved. He further stated that Nigeria is not competitive, that ship does not come to Nigeria due to congestions, moving a container from Tincan to Ikeja is N750,000, it is cheaper to bring a container from China to Lagos than it takes from Tincan to Ikeja, “Businesses are groaning in Nigeria”. But taking action to improve the efficiency of border procedures has been shown to produce result, countries that have carried

out reforms in this area have achieved a substantial increase in customs revenue, despite the reduction in duties brought by trade liberalization.

Study shows that improved border procedures also have a knock on effect on other areas of the economy. Countries that are competitive in trade terms find it easy to attract foreign direct investment which is one of the major means a country can boost its economy.

Strengthening porous border practice will benefit the country’s economy. It will benefit the government because it allows them to process more goods and improve control of fraud thus improving government revenue.

Business gains if they can deliver goods more quickly to their customers, they are more competitive and consumers gain because they are not paying all the cost of lengthy border delays, if a product waits at the border for a week ultimately, the customer is paying for it being off the road and unproductive during that time. Study shows that if these complexity and cost of trade in Nigeria is strengthened, Nigeria will surely attain economic stability.

Conclusion

Finally, the problem facing trade in Nigeria is a hindrance to economic growth in

Nigeria. There is a need for Nigeria to strengthen its trade procedures and activities, having a reform in these especially in harnessing custom activities, this will surely increase custom revenue by promoting growth in the economy. The only way Nigeria can scale through these problems is by adopting trade facilitation act which aims at making trade easy in Nigeria by simplifying trade processes, transparency, modernization and standardization of trade processes in Nigeria. Automation of trade processes which have to do with the use of technology to make these processes fast hence the adoption of E-trading system. According to Cajetan Agu, the deputy director, monitoring and enforcement, Nigerian shippers council, said automation is way to go and called on Nigerian government to implement the single window platform as it is not working in Nigeria. He stated that it is only in Nigeria that single window is not yet to be implemented. Single window is an integration of platforms. We only have individual automation.

Academic Contribution

In the aspect of academic contributions, these research can further examine other aspects of single window application and implementation.