

**IMPACTS OF E-COMMERCE ON INTERNATIONAL TRADE
(ONLINE MARKETPLACES, DIGITAL CURRENCY, AND
PAYMENT GATES).**

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BENIN CITY, EDO STATE.**

JUNE, 2024.

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**A LONG ESSAY WRITTEN IN THE FACULTY OF LAW AND SUBMITTED
TO THE FACULTY OF LAW, IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE DEGREE OF BACHELOR OF LAWS (LL.B) OF
THE UNIVERSITY OF BENIN, BENIN CITY, EDO STATE.**

JUNE, 2024.

CERTIFICATION

I, **Amarachi Tarila IHEANACHO** (Mat. No. **LAW1810534**) hereby certify that apart from the references made to other people's work as duly acknowledged herein, this entire project is the product of my personal research, and has neither in part nor in whole been presented for another degree elsewhere.

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APPROVAL

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DEDICATION

This project is dedicated to God Almighty, the one who has given me life and placed me on the path that I am today. For the wonderful people and opportunities he has brought my way I will forever be grateful.

I also dedicate this to every person who reads this work and finds it interesting.

ACKNOWLEDGEMENT

I acknowledge the guidance of God Almighty through this LLB journey, from the strength to complete all the tasks necessary to this degree, to the people he placed on my path, to the understanding and ease he gave to seemingly senseless and difficult situations.

I am grateful to my parents for the opportunities and guidance they have given me, thank you for making my existence soft. Thank you for the extra attention, countless visits to schools, for the confidence that no matter what happens I'm loved at home and will always be welcome. Thank you for pushing me to do better, I promise to keep following the teachings and that I'll take care of you.

To my supervisor Professor Mobalaji Ezekiel, you've had your spot in my heart since 300 level. Thank you for your guidance, corrections, and patience these past few months. I value the uplifting words that constantly renewed my fire.

To every lecturer that encouraged me on this journey whether with words or their achievements, I thank God for endowing our great faculty with exemplary personalities like yours.

To my friends Ese and Vera, major persons in my LLB journey. I'm excited that I have you guys in my corner. Ese, there was no one exact moment we decided to stick together but I'm glad we did. Thank you for bringing Vera into my orbit. I've watched you morph in amazingness and girl I can't wait to see and walk beside you on life's journey. Vera my closest confidant in the past one year, thank you. Thank you for being my wingman in 407, for the encouragement and for making your apartment another home for me. We held each other hands through this project, from when we choose our topics to the time

submission. Your amazingness isn't unnoticed, I hope you always meet people as amazing.

To John, you've inspired me more than you can imagine. Your work ethic, your kind heart? Next to none. For finding my quirks interesting, and adding your colours to my canvas I am grateful. Keep exploding, you're at the top already.

To Chibuike and Val (I promise to run those pro bono cases), I have a feeling next to love in my heart. For believing in my abilities even when I was doubtful of them. For listening, patience and advice. Thank you, I believe in you guys.

Isabel thank God for your business skills and expertise. Every purchase and service from you has given me joy. More grease to your elbow, heat to your stretcher, and clients to your business !!!

To Legal Prodigies, I may have not had a personal relationship with every member of the class, but each of you are parts of the integral whole in this journey.

Finally, I acknowledge myself. Amara I'm proud of you for the energy you put in, for not giving up and returning back to work even when you were tired. For having a soft heart and teachable spirit, for maintaining calmness and composure even in mind altering moments.

I am proud of you !!

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LIST OF ABBREVIATIONS

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
CAC	Corporate Affairs Commission
CAMA	Company and Allied Matters Act
CBDC	Central Bank Digital Currency
CIT	Companies Income Tax
CPC	Consumer Protection Council
ELC	E-Commerce Law of China
LFN	Laws of Federation of Nigeria
MPOS	Mobile Point of Sale
NDA	Nigerian Data Act
NECC	National Electronic Commerce Council
NITDA	National Information Technology Development Agency
POS	Point of Sale
QR	Quick Response
VAT	Value Added Tax

ABSTRACT

International trade as a form of commercial transaction is trade that cuts across borders. As it involves transactions outside borders it is met with natural barriers which are either physical or cultural such as distance, language, geography. Due to the inclusion of more than one country there exists different legislation governing the parties to the transaction although sometimes similar in contents. In fact, there also exists a separate and distinct body of rules and legislation only applicable to international trade, not necessarily belonging to one nation but adopted by several nations when conducting trade across their borders.

The differences in legal regimes, modes of conducting business, and even relationship between the involved countries can hamper or facilitate the carrying out of international trade. Some strong examples are: difficulty in employing and relocating qualified nationals of other countries who fall short of the migration requirements of the concerned country; poor visibility of businesses to prospective international clientele due to its small size or lack of funds to advertise internationally; exchange rates; the practice of de-risking (prohibition of wire transfers, credit cards settlements, and even hard foreign currency to a country local bank accounts); ban of the use of hawala also known as underground banking which is simply money transfer without money movement. The last two examples are measures imposed by government and employed by financial institutions to prevent innocent looking cross border payments from being used in money laundering, terrorism financing, tax evasion etc.

These challenges form serious road blocks to international trade, and it is universal that for trade to occur the willing parties to the transaction must have the capacity to contract. Several regulatory frameworks and enabling platforms have been created by the

government to facilitate cross border trade e.g. streamlining customs procedures, single trade window portals, border infrastructure, trade agreements etc. While these platforms have been useful and continue to remain useful in international trade, the challenges to trade are increasing in the face globalization and exponential population growth etc. technology has stepped in to fill some of these gaps, as it may prove too slow to rely solely on the government to create enabling platforms keeping up with the trends of growth or increasing demands of the population.

CHAPTER ONE

GENERAL INTRODUCTION

1.1 Background of Study

This paper is on the impacts of e-commerce on international trade and particularly discusses online marketplaces, digital currency, and payment gates. The beginning of International trade can be traced back to the Roman and Greek empires yet it still remains relevant till today. Trade is crucial to the existence and survival of any individual, and international trade is necessary for the sustenance of a nation and it's people.

In the 21st century world where there is increased exposure to the culture and way of living of strangers, one of the major focus of commerce is the convenience of buyers and sellers. International commerce is engaged in by the society on a grass root level, importation and exportation is no longer limited to the brick and mortar businesses or well established corporations. The doors of international trade are widened as individuals and small scale businesses have access to foreign businesses or clientele.

Seeing as international trade has become very inclusive, it is necessary for there to be discussions on the different methods and avenues that have increased inclusivity in international trade. Some of the methods and avenues are e-commerce, international trade fairs, international workshops, trade treaties and agreements etc. The method discussed in this essay of e-commerce. The pathway of E-commerce begins from sellers advertising their goods or services, to buyers browsing for their desired goods and services, to making payment for the chosen goods or services, and ends at the delivery of the requested goods or services. For this pathway to be realizable there must be an online

marketplace (website), digital currency (mode of payment), and a payment gate (method of receiving payment). This essay defines, traces the history, provides the features and uses of the components of e-commerce (online marketplace, digital currency, payment gates). In discussing the features and impacts of these components we get an idea of some challenges associated with the traditional method of international trade and how these components have reduced or totally eliminated those challenges.

1.2 Aim and Objectives

The aim of this work is to discuss how e-commerce has strongly impacted international trade.

The objectives to discuss

The movement from the traditional methods of international trade to the current methods.

The solutions to some of the challenges associated with the traditional methods of international trade.

The three components of e-commerce which are online marketplaces, digital currencies, and payment gates

How individuals can apply the components of e-commerce to establish or expand their presence in the international market.

1.3 Scope of Study

Hardly, any nation has achieved total self-sufficiency on all the resources necessary for human existence and must trade with other countries for what they lack, or even sell to make income off what they have in excess. My study will cover technology in

international trade across all nations, as it affects all countries. Figuratively, no nation is an island and are involved in international trade at different extents to meet their needs.

The works content covers online marketplaces, digital currency, and payment gates. This is because the impact of technology on international trade is very broad.

1.4 Methodology

This work takes a doctrinal research approach, it is qualitative and will include source materials from textbooks, online databases, articles, international business journal.

CHAPTER TWO

CONCEPTUAL FRAMEWORK AND LITERATURE REVIEW

International trade can be defined as the exportation of goods and services from one country to another, the parties involved may be individuals, governments, or companies. According to Wasserman and Haltman International Trade consists of transactions between residents of different countries¹. Anatol Marad defines it as trade between nations.

No nation has reached economic self-sufficiency, there is some level of reliance on foreign exports to sustain any domestic economy. International trade like domestic trade takes place between a buyer and seller, other parties that may be involved are the carrier, middlemen, bank, insurance company. International transaction can either be a contract of sale or for services i.e. supply of services. When it is a contract of sale the seller (exporter) sends the goods which are the subject matter of the contract directly to the buyer (importer) or to his agents for resale. While in a contract for services an individual or company in a different country is contracted to perform a task or service.

An international contract is also known as a transnational contract and is a form of distance contract. A distance contract is a "contract concerning goods or services between a supplier and a consumer under an organised distance sales or service provision scheme run by the supplier who, for the purposes of the contract, makes exclusive use of one or more means of distance communication up to and including the moment the contract is concluded"². Simply put the contract is formed, negotiated, and finalized

¹ Adeola Adeniyi 'Impacts of International on the Economic Development of New Hampshire State, U.S.A'. *European Journal of Business and Management* (2020) 12 pg 32.

² Diane Rowland & Elizabeth Macdonald, *Information Technology Law* (Cavendish Publishing Limited Great Britain 2005)

without the physical presence of the parties, but through post or technological means like fax, email, video conferencing.

2.1 History and Evolution of International Trade

The history of international trade can be categorised into four main periods. The ancient civilization, silk road period, age of exploration and the 20th century. International trade dates back thousands of years to ancient civilizations such as the Mesopotamian, Egyptians and Phoenicians who traded in spices, textiles, and precious metals through long distance routes. According to Gilbert Winham, there was trade regulation through the imposition of tolls (a major source of state revenue) and trade agreements between nation states. For example, there was a commercial treaty between the kings of Egypt and Babylonia in 2500 BC³. However, trade this period was not free of challenges. Douglas Irwin wrote that from the works of early Greek and Roman writers, one would see a high degree of reluctance to trading with foreigners for mainly non-economic reasons⁴. Merchants from other origins were seen to be of lower social class and contact with foreigners was believed to expose citizens to bad manners and corrupt morals. However, writers like Plutarch believed God created the sea and geographically endowed yet separated the earth, to promote interactions through trade⁵. This belief is the foundation of the doctrine of universal economy⁶, trade was still important to many ancient and medieval powers like Athens, Ptolemaic Egypt, the Italian city-states of

³ Gilbert Winham, *The Evolution of International Trade Agreements* (University of Toronto Press Toronto, Canada: 1992)

⁴ Douglas Irwin *Against the Tide: An Intellectual History of Free Trade* (Princeton University Press Princeton, New Jersey, 1996)

⁵ Leo D'Arcy, Carole Murray, Barbara Cleave, *Schmitthoff'S Export Trade: The Law and Practice of International Trade*, 10th ed, (London Sweet and Maxwell, 2000)

⁶ The doctrine of universal economy is an interconnected set of ideas that the geographic placement of the factors of production is the will of the gods and reason for there to be peaceful interaction between different cultures and countries which is necessary to the survival of human condition.

Venice, Florence and Genoa, and the German Hanseatic League⁷. Over the next centuries parts of the world became connected and trade expanded.

In 130 B.C Europe was connected to Asia and North Africa through the Silk Road⁸. The Han dynasty of China opened trade on the Silk Route in 130 B.C.E. until 1453 A.D when the Ottoman Empire closed off trade with the West. The roads of the Silk Route were not controlled by any country in particular and where in poor condition, there was the problem of robbers and banditry. Overtime few people travelled the entire route and there was rise in middlemen and trading posts along the routes. Silk was carried from China to Europe. Other goods exchanged were jade, precious stones, porcelain, tea, spices, horses, glassware, textiles⁹. Maritime trade routes like the Indian Ocean (situated south of India, east of Africa, northwest of Australia, and southwest of Southeast Asia)¹⁰ were established and the trading network further expanded.

During the age of exploration between 15th and 17th centuries, the European powers like Portugal, Spain, France looked for new routes to Asia to trade spice and silk, in that process they learnt about the Americas and Africa. The impacts of their exploration this period are great and still felt till today. The Europeans gained massive wealth from trade in goods, spices, and precious metals. The methods of navigation and mapping improved. Food, plants, and animals were exchanged from other parts of the world to Europe. The cultures of indigenous people were decimated and they faced slave trade, devastation

7 Micheal Trebilcock, Robert Howse, and Antonia Eliason, *The Regulation of International Trade* (4th edn, ... 2013)

8 Also known as Silk Route, according to Wikipedia is an intricate web of land and sea routes spanning over 6,400 kilometres connecting Central, East, South, Southeast, and West Asia as well as North Africa and Southern Europe <https://en.m.wikipedia.org/wiki/Silk_Road>

9 National Geographic Society, *The Silk Road* <<https://education.nationalgeographic.org/resource/silk-road/>> accessed April 26th 2024

10 Benjamin Sheldon, '*Indian Ocean Trade; Route, History, Impact*' (A Lecture Note prepared for Study.com updated November 2023. < <https://study.com/academy/lesson/indian-ocean-trade-route-network-history.>>

from disease, overwork, and massacres¹¹. By this period a global trading network had been created. The industrial revolution took place between the 18th to 19th century, and with the advancement in transportation and communication international trade improved.

During the 20th century, the world faced two wars and there were efforts to foster cooperation between countries. Trade agreements such as the General Agreements on Tariff and Trade, United Nations Commission on International Trade Law, and organisations like World Trade Organisation, Asia-Pacific Economic Cooperation (APEC), Association of Southeast Asian Nations (ASEAN) among others were set up to regulate and promote trade between nations.

Overall trade has evolved from the simple barter system to a highly interconnected global network of businesses.

Why International Trade

Douglas Irwin in his work *Against the Tide: An Intellectual History of Free Trade*, traces views on the virtues and vices of international trade to early Greek and Roman writers¹². Their writings showed reluctance towards trading with foreigners mainly for non-economic reasons. They regarded traders of foreign origins to be of an inferior social class, they believed interaction with foreigners exposes their citizens to bad manners and corrupt morals¹³. Despite their reluctance Greece and Rome still engaged in foreign trade.

International trade arises out of inequality in the distribution of resources. A country must trade to get what it needs or lacks. International trade is of importance to an exporting business, the national economy of the exporting business, and the importing country. The

¹¹ Briney Amanda "A Brief History of the Age of Exploration." ThoughtCo. 2023 <<https://www.thoughtco.com/age-of-exploration-1435006>> (accessed April 13, 2024).

¹² Leo D'Arcy, Carole Murray, Barbara Cleave, *Schmitthoff'S Export Trade: The Law and Practice of International Trade* (10th ed, London Sweet and Maxwell, 2000)

¹³ M. Trebilcock, R. Howse, A. Eliason, 'The Regulation of International Trade' (4th edn, Routledge 2013)

exporting business increases its profits as it exploits a second market and protects itself against the collapse of its home market¹⁴. The exporting country earns income, has increased domestic productivity, and improves its balance of trade. The importing country has access to goods and technology necessary for the survival of its citizens. It encourages countries to efficiently maximize their resources by using their comparative advantage¹⁵. When countries trade together it encourages them to foster harmonious relationships with each other

2.2 Online Marketplaces

This is a broad term for application software and websites where buying and selling takes place. The history of online shopping can be traced to the late 1970s in England, when in 1979 the English inventor Michael Aldrich invented a system that allowed consumers connect to businesses electronically. He did this by connecting a consumer's TV to a retailer's computer with a telephone line. This invention was one of the first communication tools that enabled interactive, mass communication. However it was too expensive for most businesses until the internet became more widespread. In 1982 the first e-commerce company in the world, the Boston Computer Exchange (BCE) was formed. The company was an online marketplace for people to buy and sell used computers. By the mid-90s, the internet had become widespread and used globally for communication. Netscape the most popular web browser at that time had around 10 million users worldwide. In 1995 Jeff Bezos launched Amazon, which was an online marketplace for buying books. The marketplace saw immediate success, within 30 days

¹⁴ Robert Bradgate , *Commercial Law*, 2nd edn, (Butterworths London, 1995)

¹⁵ Comparative advantage is a country's ability to produce a particular good or service at a lower opportunity cost than other countries.

of its launching it was shipping internationally to 45 different countries. In late 1999 a company, Confinity launched PayPal an online payment platform¹⁶.

The online marketplace is an intermediary between buyers and sellers. It is a meeting place that is not accessed by physical presence but through online presence. It is not limited just to websites or software applications created for trading like Amazon, eBay, Jumia, Instacart, SHEIN etc but social media applications like Tiktok, Instagram, and YouTube primarily created for communication and entertainment are now part of the marketplace. Besides being an avenue to communicate with fellow users or advertise to prospective clients, these social media applications have built into their platforms, features that allows users to not just communicate and carryout their entire transaction without interacting with other websites that is negotiate and close the contract. The online marketplace can be product or serviced based. It is product based if it is for trading of products, and is service based when it for rendering services. A business may have its own online marketplace (a website or software app where it sells only it's own products), or be part of one that offers similar goods or services from several sellers who aren't associated with each other. When a marketplace offers listings from different sellers or service providers it merely acts as a middleman and has no ownership over the inventory or services on the platform. This is the model run by platforms like Jumia, Amazon, Bolt, Uber which lists products or services of more than one business without producing, owning, or personally providing any of the inventory or services offered to buyers.

¹⁶ Wikipedia <<https://en.m.wikipedia.org/wiki/Confinity#:~:text=Confinity%20Inc.&text=It%20was%20founded%20in%20December,Pilot%20payments%20and%20cryptography%20company.&text=PayPal%2C%20Inc.>>

The online marketplace is a money making tool in itself just like registered businesses make money. In addition to revenue made from traffic¹⁷, the marketplace earns its own money either by charging commission on every transaction, charging listing fees on uploaded items, requiring buyers and sellers to pay membership fees, offering subscription for premium features, or combining all methods. For example in 2005 Amazon introduced its Prime membership package¹⁸, which offers members perks like free rapid shipping and exclusive discounts. Prime users are still charged an annual membership fee. Jumia charges a six percent commission for every sale made on the website. Bolt charges drivers thirty percent commission for every ride completed on its app.

Online marketplaces are amazing for the convenience they provide, users can access all that they need in one place under a single transaction. The marketplaces provides integrated logistics solutions, allowing businesses to easily ship products to customers around the world¹⁹. As more individuals search online for their desired products and services, the relevant businesses in the online marketplace gain more patronage. The marketplace model can either be vertical or horizontal. Horizontal or General marketplace offers multiple categories of products and services. It is an online shopping mall where products or services of different variety can be gotten under a single roof. It has customers from different backgrounds with diverse needs and sellers from different industries with products from different categories on the same platform²⁰. Examples of this model are Jumia, Konga, and Amazon. Vertical or Niche marketplace offers goods

¹⁷ Traffic is the number of persons that visit a website.

¹⁸ Carmen Aug 'Timeline: Key Events in the History of Online Shopping' 2021. https://www.visualcapitalist.com/sp/history-of-online-shopping/#vce_comments

¹⁹ Ecommerce and Its Transformation of International Trade *International Trade Council (17 May 2023)* <<https://thetradecouncil.com/e-commerce-and-its-transformation-of-international-trade/>> accessed 20 February 2024.

²⁰ Maja Nowak 'Different Types of Online Marketplaces' <[https://www.nomtek.com/blog/mobile-commerce#:~:text=There%20are%20primarily%20four%20types,%2DMachine\)%2C%20which%20involves%20exchanges](https://www.nomtek.com/blog/mobile-commerce#:~:text=There%20are%20primarily%20four%20types,%2DMachine)%2C%20which%20involves%20exchanges)>2023.

or services from a specific category or industry. The products or service offered are from sellers in the same industry with similar goods and services to customers with similar needs. Examples are Bolt, Uber.

2.3 Digital Currency

Digital currency is a type of currency that has no physical configuration and only exists in digital form²¹. The idea of digital currency can be traced back to David Chaum in 1983 when he wrote a research paper titled "Blind Signatures for Untraceable Payments", he introduced the idea of digital cash. In 1989, he founded DigiCash, an electronic cash company, to commercialize the ideas in his research. However the company filed for bankruptcy in 1998. In 1996, E-Gold was introduced. Users could open an account with a value denominated in grams of gold or other precious metals. The platform allowed instant transfers to other E-Gold accounts. It gained popularity and is the first widely used internet money. Before it was shut down in 2008 it had millions of users. In 2009, Bitcoin was launched by a group named Satoshi Nakamoto. They published a white paper²² explaining how the cryptocurrency would work. Bitcoin is the first decentralized blockchain-based digital currency.

It can be simply understood as any currency or money that can only be managed, stored and exchanged in digital or electronic form which is usually over the internet. Digital currency is used as a medium of exchange like fiat currency²³ but unlike fiat currency it cannot be withdrawn or collected as physical cash. Digital currencies have similar use with physical currencies, it can be used to pay for goods and services. In certain cases their use is restricted to a certain community or group such as gaming sites, gambling

²¹ Nicola Bilotta and Fabrizio Botti 'The (Near) Future of Central Bank Digital currencies' Peter Lang AG, International Academic Publishers, Bern, 2021, 20.

²² A whitepaper is an in-depth report presenting a problem and its solution.

²³ A currency that is not backed by or connected to commodity or precious metal like gold

sites, or social media applications. An example is tokens (in-game currency for transactions within a game) or coins which can be used to buy extra lives, weapons or items within the game only.

Given that digital currencies are available only in digital form, transactions are made using computers or electronic wallets connected to the internet or designated networks. The three major types of digital currency are cryptocurrency, virtual currency and Central Bank Digital Currency (CBDC), they will be briefly explained as follows.

Cryptocurrency: is defined by Merriam Webster dictionary as any form of currency that exists only digitally, that usually has no central issuing or regulatory authority but instead uses a decentralized system to record transactions and manage the issuance of new units, and that relies on cryptography to prevent counterfeiting and fraudulent transactions.

This type of digital currency is managed through cryptography. Cryptography is the practice or method of storing or protecting information in a way that the message is decoded or read by only the person it is intended for. Cryptography can be traced all the way back to ancient Egyptian hieroglyphics²⁴ however it is still relevant till this time. Cryptocurrencies are intangible digital assets and can be hacked like any other digital item. Loosing access to your digital wallet and recovery phrase means losing access the entire cryptocurrency stored in it. Examples of cryptocurrency are Bitcoin, Ethereum, Tether USDT.

Virtual currency: is a term that was first used by the European Central bank in 2012. It was defined as any type of ‘digital money in an unregulated environment, issued and controlled by its developers and used as a payment method among members of a specific

²⁴ Hieroglyphics is the writing system invented in Egypt around 5000 years that was used for inscriptions on monuments like walls of temples and tombs, statues, and coffins

community²⁵. Simply put, virtual currency refers to unregulated digital currencies that are issued and controlled by its developers which are non-financial private individuals or organizations instead of central banks and is intended for online use only. The owner or issuers of the currency have complete control and discretion over the supply of the currency. Simple as it may seem businesses use it to attract customers and reward them for continuous patronage. Examples are air miles, gaming tokens, customer loyalty points.

Central Bank Digital Currency (CBDC): is a type of digital currency that is developed, controlled, and issued by the central bank of a country. These digital versions of cash are more secure and less volatile because they are issued and regulated by central banks. CBDC can supplement or replace traditional fiat currency. However while fiat currency exists in physical and digital form, CBDC exists only in digital form. Private individuals aren't left alone in creating digital currency as central banks of countries have launched their own digital currencies. As at March 2024 three (3) countries, the Bahamas, Jamaica, and Nigeria have functioning CBDC's. thirty- six (36) countries are in testing stages, thirty (30) countries are in the development phase, forty-four (44) countries are in research phase, seventeen (17) countries are inactive and two (2) countries cancelled theirs²⁶.

The potential benefits of central bank exploration in digital currency are:

- CBDCs will increase efficiency, by reducing friction in the existing payment systems and the cost transactions.

²⁵ European Central Bank 'Virtual Currency Schemes' 2012 pg 5

²⁶ Atlantic Council Central Bank Digital Currency Tracker
<<https://www.atlanticcouncil.org/cdctracker/>> last accessed on May 4th 2024.

- Decrease the cost of maintaining the financial system. There will be a direct connection between central banks and the public which should in turn lessen the complex of the financial ecosystem
- Reduce the risks associated with the use of cryptocurrencies. Since CBDC's are backed by governments they will be less volatile and more secure even though there may no anonymity as with cryptocurrencies.
- Increased tax base: CBDCs will bring more economic activity. The presence of regulatory bodies will limit tax evasion and the use of digital currencies for illegal purposes.

While CBDCs will have so many benefits, some finance organizations report that some aspects of its impact is unknown. What impact will it have on inflation, interest rates, spending, and employment rates? ²⁷.

Five (5) examples of CBDC's are Digital Rupee (India), e-CNY (China), e-naira (Nigeria), Digital Ruble (Russia), Digital Dollar (U.S).

The major differences between the types of digital currencies is the level of control by issuers, regulatory bodies, and degree of privacy.

	VIRTUAL	CRYPTO	CBDC
CONTROL BY ISSUERS	Total	None	Total
REGULATORY AGENCIES	None	None	Total
PRIVACY	Partial	Total	Partial

²⁷ Shobit Seth 'What is Central Bank Digital Currency (CBDC)' <https://www.investopedia.com/terms/c/central-bank-digital-currency-cbdc.asp> April 2024. Last accessed on May 5th 2024.

Some experts believe that digital currencies barely meet the criteria to be considered full forms of money²⁸. Whether digital currency can be considered as a form of money or not, will be irrelevant once a digital currency is issued and circulated to the public. What is necessary is that people are educated on their use and risks. Which can be done through public consultations, experiments, and campaigns. For it to be used in domestic or in international trade there must be necessary infrastructure like access to the internet, digital devices, and even a global framework allowing it to be used from one country to another.

Despite the advantages digital currency will offer to trade and economic life, its volatile nature is a major drawback to its use. The price of digital currencies is unstable, it can change suddenly and often, and is usually based on demand and supply, and public perception or sentiments. Also, since the possession and use of digital currency relies on access to computer networks, internet connection, and digital wallets. When these systems are down, people will have issues accessing and transacting with their digital funds.

2.4 Payment Gates

Payment gates are physical or digital platforms that collect payment information (debit or credit card information) to process or collect payment from a card holder. They are also known as payment processors or payment gateways. They are used at the point of finalizing a transaction when a party (customer/buyer) is to pay another party (business/seller) digitally. Payment gates are for digital or online payments and not cash payments.

History of Payment Gates

²⁸ Nicola Bilotta and Fabrizio Botti, *The (Near) Future of Central Bank Digital currencies* (Peter Lang AG, International Academic Publishers, Bern, 2021),23.

In 1979, Visa introduced the Point of sale terminal. It was a bulky electronic data capturing terminal. By the same year magnetic stripes were added to credit cards and card information could now be captured electronically. By the 1980s the terminals had become popular, companies like Verifone in 1981, Hypercom in 1982, Ingenico in 1984 were already manufacturing terminals²⁹. Since this was before the internet, the companies constructed a network of telecommunications relays and data management platforms to provide electronic payment acceptance services worldwide³⁰. With the arrival of the internet, online businesses needed a payment terminal compatible with their business. There were barriers to entering the payment processing industry, so online payment companies created merchant-and consumer-facing technologies which became known as payment gateways. Payments gateways were the online equivalent of payment terminals. In 1994 and 1995 Amazon.com and eBay were launched respectively. Ecommerce grew and the payment processing companies added payments gateways to their systems, but it was not a smooth process for them. The payment gateway companies continued to do well in the market. By the 2000s the payment processing companies were able to smoothly integrate payment gateways into their systems³¹. In the late 1990s, the magnetic strips in the card had been replaced with an electronic chip which provided additional security. Also contact less payment systems were introduced³².

The gateway may be a physical card reading devices like Point of Sale (POS), magnetic stripe readers, or an online payment portals like Quick Response (QR) codes, PayPal, Remita etc. For physical card reading devices the card is swiped or slotted into the machine. The machine reads the card information by scanning the chip and processes

²⁹ Payment Terminal https://en.m.wikipedia.org/wiki/Payment_terminal last accessed May 5th, 2024.

³⁰ Evolution of payments: The payment industry explained < https://www.adyen.com/en_GB/knowledge-hub/how-the-payment-industry-evolved> last accessed May 5th 2024

³¹ Evolution of payments: The payment industry explained <https://www.adyen.com/en_GB/knowledge-hub/how-the-payment-industry-evolved > last accessed May 5th 2024

³² Payment Terminal https://en.m.wikipedia.org/wiki/Payment_terminal last accessed May 5th 2024

the payment. For online marketplaces, payment gateways are the checkout and payment page where credit or debit card information (card number, expiry date, and cvv) and a password is entered. What is required is that the merchant/seller create an account with the payment platform and link his or her bank account to the platform. In recent times there are Quick Response (QR) codes have been used to make payments physically. It is a contactless method in which the payer uses his phone camera to scan a QR code³³ which immediately directs them to payment page. The advantage of this method is that multiple payments can be made at the same time without staff assistance. What is required is that the code be displayed at accessible points or generated at the checkout page of a website in case of ecommerce transactions or even from a banking app or digital wallet.

Payment platforms charge either the merchant (seller) or buyer a fee for the collecting payments. Remita³⁴ charges between 1% to 4% of the transaction value or a minimum of 50 naira and maximum 5000 naira depending on the type of transaction³⁵. PayPal³⁶ charges are somewhat technical, it charges differently from consumers to merchants, domestic to regional international transactions, different currencies with the lowest being 1.50% and no fees in certain cases³⁷.

The most popular payment gate used for international trade is PayPal which operates in over 200 countries and supports multiple currencies. Some popular online payment gateways in Africa are Flutterwave, Paystack, Interswitch, Remita. Merchants may be safer when they opt for the popular and widely used platforms, because the security and reliability of a platform can be inferred from its large customer base. Online payment

³³ Unique pattern of black and white squares

³⁴ Financial services company based in Nigeria

³⁵ Terms and Agreement < <https://remita.net/legal/terms> > last accessed April 14th 2024

³⁶ An American financial technology company.

³⁷ <https://www.paypal.com/us/webapps/mpp/paypal-fees> > January 2024. last accessed may 5th, 2024

platforms must be protected with up-to-date security features like encryption and fraud protection to prevent hackers from accessing card information of customers and inevitably stealing from them.

The payment gate is a key component of the electronic payment processing system, as it is the front-end technology responsible for sending customer information to the merchant-acquiring bank, where the transaction is then processed³⁸. Its primary function is to verify the transaction details, ensure that the account has adequate funds, and securely transfer the funds from the customer's account to the business's bank account³⁹. The existence of payment gates reduces the need of buyers and sellers in an international transaction to go to the bank. This is not to say that the traditional means of payment in international transactions are obsolete, parties now have the opportunity to initiate payment by themselves from the comfort of anywhere as against going to banks or finance houses.

On the issue of trust the merchant must be diligent to ensure the chosen payment processor is reliable and not a running scam. According to Zapier, the most popular automation platform for business, a reliable ecommerce payment processor must

- Accept all major types credit and debit cards
- Be easily integrated into a website. The set up shouldn't require knowledge of coding or give a detailed guide for setup
- Have good security and be compliant with the basic security requirements for payment processors

³⁸ Stripe. "Payment Processor vs. Merchant Acquirer: What They Are and How They Work Together.") July 2023 last accessed April 14th 2024

³⁹ Stripe. "Payment Processor vs. Merchant Acquirer: What They Are and How They Work Together.") July 2023 last accessed April 14th 2024.

- Have additional features like invoicing⁴⁰

⁴⁰ Miguel Rebelo ‘The Best Online Payment Processing Services in 2024’ < <https://zapier.com/blog/best-payment-gateways/> > 2024 January. last accessed on April 15th 2024

CHAPTER THREE

REGULATION OF ECOMMERCE IN CHINA AND NIGERIA

E-commerce has its benefit to consumers and businesses, it offers consumers a wide variety of goods and services on a single platform and shoppers are free to browse different platforms to compare products and prices. For businesses it is a cheaper, and more convenient way to reach customers. E-commerce is becoming more widespread for the benefit it offers, individuals are adopting it for their private shopping and as a tool to make money and thus it is necessary for there to be a legal and regulatory framework to govern e-commerce activities. Several nations have a framework that includes legislation, articles, regulatory bodies to govern e-commerce activities in their country, however the focus of this chapter is the regulatory framework in Nigeria and China.

3.1 CHINA

The E-Commerce Law of China (ELC) is the key law that applies to e-commerce for business to business and business to consumers companies in mainland China, it was passed in August 2018 and entered into force on January 1, 2019¹. It is a document with seven (7) chapters and eighty nine (89) articles and has provisions regarding competition, intellectual property (“IP”), consumer rights, data protection, cyber security and advertisement in e-commerce. An operator of an e-commerce platform is required to obtain an Internet Content Provider (ICP) and Electronic Data Interchange (EDI) licence², for the value-added telecommunication services they provide, and any other licence or permit that is required for the type of goods or service they wish to provide. Those engaged in cross-border e-commerce must also comply with the laws and administrative

¹ Article 89 E-Commerce Law of China (ELC)

² Zhiyi Ren, Jack Li ‘Digital Business Laws and Regulations China 2024’
<<https://iclg.com/practice-areas/digital-business-laws-and-regulations/china/amp>> May 2024 last accessed June 2024

regulations of import and export³. I shall highlight the salient provisions on online marketplace, sellers on the online marketplace, consumer protection, intellectual property, payment processing, and dispute resolution.

The law was formulated to safeguard the legal rights and interests of the parties to e-commerce⁴, regulate e-commerce activities, maintain market order, and ensure the continuous growth and development of e-commerce⁵. In Article 2 it is provided that the Law applies to e-commerce activities that take place in the People's Republic of China. I believe the extra emphasis on where it applies is because there are two parts of China for administrative purposes⁶. The People's Republic of China also known as Mainland China controls 22 of the 23 provinces of China, while Taiwan the 23rd province is controlled by the Republic of China⁷. However the two parts are under one Central government.

The roles of law online marketplaces and sellers in the marketplace are separately addressed. Remember that a marketplace might not be the producer of the goods or services it advertises. Chapter 2 of the law takes note of this, Section 1 addresses e-commerce sellers and Section 2 address e-commerce platforms⁸. The standard of conduct imposed on e-commerce sellers while carrying out their business activities are impartiality, fairness, integrity, and adherence to laws and business ethics while protecting consumers' interests, the environment, intellectual property, network safety

³ Article 26 E-Commerce Law of China (ELC)

⁴ The E-commerce platform operator and operators (sellers) on a platform.

⁵ Article 1 E-Commerce Law of China (ELC)

⁶ The People's Republic of China and the Republic of China

⁷ A Brief introduction to china http://np.china-embassy.gov.cn/eng/78077/ybxx/200410/t20041027_1997998.html#:~:text=The%2023%20provinces%20are%20Hebei,Xinjiang%2C%20Guangxi%2C%20and%20Tibet, October 2021. last accessed May 25th 2024

⁸ Article 9 defines e-commerce platform operators as legal persons or unincorporated organizations that provide online business premises, transaction matching, information distribution and other services to parties of an e-commerce transaction

and personal information⁹. Sellers must take responsibility for the quality of the product and service they offer and accept supervision from the government. Every seller in an e-commerce marketplace must be registered, except the seller has skills that require no license, or carries out petty transaction, or is not subject to industrial and commercial registration in any law or administrative regulation¹⁰. The e-commerce sellers are obligated to pay taxes and have the right to enjoy any tax benefits granted under laws¹¹. Meanwhile e-commerce sellers that are not required to be registered must apply for tax registration and ensure they pay the taxes stipulated under the relevant laws or administrative regulations. In line with the obligation to protect the environment, an e-commerce seller is restricted to sell only goods that will not harm the environment¹². For every good sold or service provided sellers must issue a paper or electronic invoice¹³, the electronic invoice (e-invoice) has the same force as paper invoice.

In line with the obligation to protect consumers, e-commerce sellers must avoid false advertising, they must disclose information on their goods and service comprehensively and accurately¹⁴, this is to protect consumers right to freely make informed choices. All adverts must comply with the provisions of the Advertisement Law of the People's Republic of China¹⁵. Sellers are to deliver only what is in the sales contract, and to do so in a timely manner. The rules concerning collecting and protecting consumers information must be followed¹⁶ and require sellers to provide information on the way they use, store, and discard consumers information¹⁷.

⁹ Article 5 E-Commerce Law of China (ELC)

¹⁰ Article 10 E-commerce Law China

¹¹ Article 11 E-commerce Law China

¹² Article 13 E-commerce Law China

¹³ Article 14 E-commerce Law China

¹⁴ Article 17 E-commerce Law China

¹⁵ Article 18 E-commerce Law China

¹⁶ Article 23 E-commerce Law China

¹⁷ Article 24 E-commerce Law China

Section 2 as it addresses the role and duties of the e-commerce platform, requires the platform to have a sellers identity, address, contact information, administrative license and other necessary information¹⁸. It is compulsory for the e-commerce platform to submit their information on the identity of the sellers (including taxation-related information) to the relevant authorities under the relevant laws, and regularly verify and register their information as needed. Meanwhile sellers who do not register with the marketplace must register with the relevant regulatory authorities (including taxation registration) and cooperate with them. The platform must take technical steps and any other necessary step to secure transactions its network, ensure the stable operation of its platform, and prevent crimes on its platform¹⁹, if there is a security breach it must report to the relevant authorities. There must be records of the goods, services and transactions on the platform, and information of completed transactions must be kept for at least three years²⁰. The platform must create its service agreement and transaction rules based on the principles of openness, fairness and impartiality²¹ and display it to sellers and customers in a conspicuous manner or position²². This principles would apply to entry into and exit from the platform, the quality of goods and services on the platform, and protection of consumers interests and personal information. The service agreement or transaction rules cannot be amended arbitrarily²³, and amended content is to be publicized at least seven days before its implementation²⁴.

A platform must not impose unreasonable conditions on the transactions of its sellers act or act prejudicially towards sellers²⁵. Any warning, suspension, or termination of service

¹⁸ Article 27 E-commerce Law of China

¹⁹ Article 30 E-commerce Law of China

²⁰ Article 31 E-commerce Law of China

²¹ Article 32 E-commerce Law of China

²² Article 33 E-commerce Law of China

²³ The platform must ask the opinions of users and give them time and opportunity to express it.

²⁴ Article 34 E-commerce Law of China

²⁵ Article 35 E-commerce Law of China

with a seller due to the seller violating the platform rules must be announced timeously and in accordance with the platforms service agreement²⁶. Where the e-commerce platform has its own business ²⁷on the platform, it will take on the civil liability of a goods seller or service provider, and must distinguish its business from the business of other operators on its platform to avoid misleading consumers²⁸. The platform must examine the qualifications of sellers for goods or services relating to life or health. If it fails to do so or ensure safety of consumers, and there is damage to consumers the platform will be liable²⁹. Also if the e-commerce platform fails to take necessary measures upon having notice that the goods sold or services provided by its sellers infringe on the rights of consumers, or are not in compliance with necessary regulations, the platform will be liable jointly and severally with the seller.

The intellectual property rights of the platform and its sellers is addressed in Article 41 to 45. The platform must establish intellectual property rights, create rules to protect them, cooperate with holders of intellectual property, and legally protect their rights³⁰. A person who believes his intellectual property right is being infringed is entitled to notify the e-commerce platform with prima facie evidence of the infringement³¹. Upon receipt of such notice the platform must take timely and necessary measures to delete, block, disable, or terminate the infringing transaction or service. If the platform fails to do so, it will be liable to the holder of the right jointly and severally for enlargement of damage.

E-commerce parties are allowed to use electronic payment methods in processing and collecting payment. A payment service provider must comply with national regulations

²⁶ Article 36 E-commerce Law of China

²⁷ Sells its own goods or provides its own service

²⁸ Article 37 E-commerce Law of China

²⁹ Article 38 E-commerce Law of China

³⁰ Article 41 E-commerce Law of China

³¹ Article 42 E-commerce Law of China

and inform its users of the methods, uses, functions, and risks of electronic payment³². The payment service provider must ensure the electronic payment transaction is secure, transparent, and traceable. If an electronic payment service provider fails to comply with the rules on payment security and a user suffers loss the provider will assume liability and compensate the user³³. After an electronic payment is made, the electronic payment service provider must give prompt and accurate payment confirmation to the user³⁴. Users are expected to keep their sensitive payment information³⁵ safely and promptly inform the electronic payment service provider of any unauthorized payments or theft, loss or false use of security tools³⁶. When there is loss to users the service provider will be held liable except it proves the loss is the fault of the user.

On dispute resolution, an e-commerce seller must set up a convenient and effective channel for making complaints and giving reports. It must disclose such channel, and must accept and handle complaints and reports in a timely manner³⁷. If dispute arises between a seller and consumer on an e-commerce platform, the platform must assist the consumer in protection of his legal rights and interests³⁸. Disputes that arise in e-commerce may be resolved either through negotiation, mediation³⁹, filing complaints to relevant authorities, or filing requests for arbitration or litigation⁴⁰. When there is a dispute being resolved the concerned e-commerce seller must provide the original contracts and transaction records⁴¹. A seller will bear legal liability if loses, forges, tampers with, destroys, refuses to provide or hides materials that is essential to the courts,

³² Article 53 E-Commerce Law of China (ELC)

³³ Article 54 E-Commerce Law of China (ELC)

³⁴ Article 56 E-Commerce Law of China (ELC)

³⁵ Passwords, Electronic Signature, Pass keys, Security answers, one time passwords.

³⁶ Article 57 E-Commerce Law of China (ELC)

³⁷ Article 59 E-Commerce Law of China (ELC)

³⁸ Article 61 E-commerce Law of China

³⁹ Mediation must be by legally established mediation organizations, consumer organizations, or industry associations.

⁴⁰ Article 60 E-Commerce Law of China (ELC)

⁴¹ Article 62 E-Commerce Law of China (ELC)

arbitral tribunal or the relevant authority in the determination of facts. The e-commerce platform has the discretion to set up its online dispute resolution mechanism, formulate its dispute resolution rules, and resolve any disputes that arises between the parties⁴².

Articles 71 to 73 provides specifically for cross-border e-commerce. In effort to promote cross border e-commerce the State will⁴³:

- a. Develop, establish, and enhance its management practices for customs, inspection, exit and entry quarantine, and payment settlement;
- b. Support cross border e-commerce platforms by providing warehouses, logistics, speedy customs and inspection declaration;
- c. Support small and medium enterprises that wish to take part in cross-border e-commerce;
- d. Establish a unified and integrated system that will optimize information sharing and customs procedure, while allowing all relevant formalities to be carried out with electronic documents⁴⁴;
- e. Support international e-commerce communication and co-operation by participating in the development of international e-commerce rules⁴⁵.

Taxation on E-Commerce in China

Tax system in China provides for individual income tax and enterprise income tax. The individual income tax levies income tax on individuals earning and residing in China whether they are Chinese nationals or not. While enterprise income tax is levied on Chinese and Foreign companies that are resident in China. Enterprise Income Tax (EIT)

⁴² Article 63 E-Commerce Law of China (ELC)

⁴³ Article 71 E-Commerce Law of China (ELC)

⁴⁴ Article 72 E-Commerce Law of China (ELC)

⁴⁵ Article 73 E-Commerce Law of China (ELC)

is regulated by the Enterprise Income Tax Law of the People's Republic of China. The law has seven (7) chapters and came into force on January 1st 2008. It is important to look into this law because it applies especially to e-commerce business in China.

All enterprises and organizations except sole proprietorships and partnership which earn income in the People's Republic of China are to pay enterprise income tax⁴⁶. These enterprises may be Chinese or foreign owned, however the Chinese companies are also taxed on the income they earn in other parts of the world, while the foreign companies are taxed only on their income made in China. This method of taxation is similar to the Company Income Tax levied in Nigeria. The income of an enterprise that is taxed includes the total amount of incomes including income from the sale of goods, provision of labour or services, assignment of property, dividend, bonus and other equity investment proceeds, interests, rentals, and royalties⁴⁷.

Enterprises are classified into resident and non-resident enterprise⁴⁸. Resident enterprises are enterprises either established in China or established in a foreign country but has an actual institution of management in China. Non-resident enterprises are enterprises established in a foreign country that has their actual institution of management outside China but has institutions or establishments in China, or enterprises which may not have any institution or establishment in China but makes income in China. An e-commerce company operating in china may fall into the category of resident or non-resident enterprise.

How is enterprise income tax paid? ⁴⁹

⁴⁶ Article 1 Enterprise Income Law China 2008

⁴⁷ Article 5 and 6 Enterprise Income Law China 2008

⁴⁸ Article 2 Enterprise Income Law China 2008

⁴⁹ Article 3 Enterprise Income Law China 2008

- A resident enterprise is to pay the enterprise income tax on its income derived from inside and outside China.
- A non-resident enterprise with an institution or establishment in China, is to pay enterprise income tax on its income derived in China and income derived outside China that has connection to the institution or establishment in china
- A non-resident enterprise without any institution or establishment inside China (just has an income source in China) is to pay enterprise income tax on the incomes derived in China.

Enterprise income tax rate is twenty-five percent (25%), while the tax rate for non-resident enterprise income is twenty percent (20%)⁵⁰.

3.2 NIGERIA

The legal framework for e-commerce in Nigeria is broad with a number of regulatory institutions and regulations that must be complied with to carryout an e-commerce business in Nigeria. Some of the regulations that apply include the Nigerian Data Act 2023, Cybercrimes Act 2015, the National Information Technology Development Agency Act 2007, Consumer Protection Act Cap 25 2004, Company and Allied Matters Act 2020. These laws outline the rights and duties of businesses and consumers involved in online transactions. Some of the regulatory institutions are National Information Technology Development Agency (NITDA), National Electronic Commerce Council NECC, Consumer Protection Council (CPC), Corporate Affairs Commission (CAC).

In discussing the regulation of e-commerce in Nigeria the laws I will focus majorly on are Cybercrimes Act, Guidelines on Operations of Electronic Payment Channels in Nigeria, Nigerian Data Act 2023 (NDA), and Finance Act 2020. The

⁵⁰ Article 4 Enterprise Income Law China 2008

remaining parts of the chapter will cover steps in incorporating an e-commerce company in Nigeria, tax regime for e-commerce companies in Nigeria, payment processor guidelines, intellectual property protection, and consumer protection.

Registering a business gives it some level of authenticity, the business gains legal protection and takes on a personality separate from its founder. To operate a business in Nigeria the business must be registered and incorporated as required under the Company and Allied Matters Act 2020 (CAMA)⁵¹. After incorporation an e-commerce company should be registered with the National Information Technology Development Agency (NITDA), Internal Revenue Services (IRS) for taxation purposes and comply with their regulations. National Information Technology Development Agency (NITDA) is established to develop and promote information technology in Nigeria, including e-commerce activities. NITDA established the National Electronic Commerce Council (NECC) to govern e-commerce business operations in Nigeria while simplifying international transactions for e-commerce businesses that operate in Nigeria⁵². After incorporation of the e-commerce company, the website can be set up and domain name registered.

For taxation purposes e-commerce companies in Nigeria are subject to the Finance Act 2020, Company Income Tax Act 2007, and Value Added Tax 2007. Under these acts e-commerce companies are expected to pay Company Income Tax, Value Added Tax (VAT), Customs and Excise tariff. The Finance Act 2020 was passed to amend several sections of already existing taxation acts like Company Income Tax Act Cap C21, Value Added Tax Act Cap VI, Capital Gains Tax Act Cap C1.

⁵¹ Section 18(1) CAMA 2020

⁵² Israel Okunaya, 'Regulations and Compliance in the Legal Landscape of e-Commerce in Nigeria' <https://nigeria.appliedworldwide.com/regulations-and-compliance-in-the-legal-landscape-of-e-commerce-in-nigeria/#google_vignette> March 2024

Value Added Tax

Value Added Tax (VAT) is a tax levied on consumption of goods either manufactured, assembled in or imported into Nigeria⁵³ and services⁵⁴ rendered by any person in Nigeria except those specifically exempted such as basic (raw) food items, baby products, medical services. VAT is paid by consumers, it was initially 5% of the purchase but has been amended to 7.5% of the purchase⁵⁵. Under the Finance Act purchases made from non-resident digital companies are also addressed. Section 43 Finance Act 2020 amending Section 10 of VAT Act LFN 2004, requires non-resident companies with a fixed base or a permanent establishment in Nigeria that supply taxable goods or services in Nigeria to register for tax and obtain a Tax Identification Number⁵⁶ or appoint a representative in Nigeria⁵⁷. The effect of this is that VAT will be charged on any purchase made in Nigeria from an international companies. Once the e-commerce business has registered for its tax identification number it must remit VAT on all transactions for sale or services on or before the 21st day of the month after the transaction. Failure to remit the collected VAT will render the business liable to a fine of a sum equal to 5% per annum of the tax to be remitted (plus interest at a commercial rate) to be paid alongside the tax not remitted⁵⁸. Section 34 VAT Act LFN 2004 provides that failure of the business to deduct VAT will make it liable to a fine of 150% of the uncollected amount plus 5% interest above the CBN's rediscount rate⁵⁹.

⁵³ Section 40 (20)(3)(a) Finance Act 2020

⁵⁴ Section 40 (20)(3)(b) Finance Act 2020

⁵⁵ Section 42 Finance Act 2020

⁵⁶ Section 43 (1) Finance Act 2020

⁵⁷ Section 43 (4) Finance Act 2020

⁵⁸ Section 19(1) VAT Act LFN 2004

⁵⁹ Rediscount rate is the interest rate at which a central banks loan money to other banks or financial institutions.

Company Income Tax

- Companies Income Tax (CIT) is a tax levied on the profits of registered companies in Nigeria including certain foreign companies that carry out business in Nigeria. CIT is governed by the Finance Act 2020 and the Companies Income Tax Act (CITA), Cap C21, LFN 2004 (as amended). Company Income Tax will apply to income generated by foreign digital companies in Nigeria.

Section 13 addresses taxable profits of Nigerian and non-Nigerian companies on goods and services. Profits of a Nigerian company will be deemed as made in Nigeria from any country they have arisen, whether or not the profit been brought into or received in Nigeria.⁶⁰

Profits of a non-Nigerian company from any trade or business will be considered to be derived from Nigeria or taxable in Nigeria under the following circumstances⁶¹:

1. if that company has a fixed base of business in Nigeria to the extent that the profit is attributable to the fixed base. Fixed base does not include facilities used solely for storing or displaying goods or collecting information ⁶²
2. if it does not have a fixed base in Nigeria but usually operates its trade or business through a person in Nigeria authorized to work on its behalf or on behalf of another company it controls or has a controlling interest in;
3. if the company usually maintains a stock of its goods in Nigeria and deliveries are made regularly by a person on behalf of the company, to the extent that profit is attributable to the business activities of that person;

⁶⁰ Section 13 (1) Company Income Tax Act 2007 (as amended)

⁶¹ Section 13 (2)(a)-(e) Company Income Tax Act 2007 (as amended)

⁶² Section 13(3) Company Income Tax Act 2007 (as amended)

4. If the company passes, produces, or receives messages or data electronically to Nigeria in respect of any activity that is profitable (including electronic commerce, online adverts, online payments) to the extent that the company has significant economic presence in Nigeria;
5. if the trade or business activity involves a single contract for surveys, deliveries, installations or construction; and
6. if technical, management, consultancy or professional services is given to a person in Nigeria by a person or company outside Nigeria to the extent that the service provider has significant economic presence in Nigeria.

By the Companies and Income Tax (Significant Economic Presence) Order, 2020 a non-Nigerian company has significant economic presence if in an accounting year:

1. if it provides digital goods or services⁶³ from which it makes gross income of more than 25 million naira or the equivalent in another currency from Nigeria⁶⁴
2. if the non-Nigerian company registers a website address in Nigeria or uses a Nigerian domain name (.ng)⁶⁵
3. if the business of the non-Nigerian company causes them to provide a service⁶⁶ in which they receive payment from a person in Nigeria or causes them to have a fixed base or agent other than a Nigerian company in Nigeria⁶⁷

Summarily the section imposes Corporate Income Tax (CIT) on Nigerian companies for their worldwide income, and on non-Nigerian companies for their income from Nigeria.

⁶³ According to Section 1 (1)(a) (i)-(iv) Companies and Income Tax (Significant Economic Presence) Order, 2020 this includes any goods, service, or third party linkage provided in Nigeria through a website or digital platform and any data about Nigerian users of a website or digital platform.

⁶⁴ Section 1 (1)(a) Companies and Income Tax (Significant Economic Presence) Order, 2020

⁶⁵ Section 1 (1)(b) Companies and Income Tax (Significant Economic Presence) Order, 2020

⁶⁶ Service includes technical, professional, management or consultancy, advertising, training, employment services.

⁶⁷ Section 2 Companies and Income Tax (Significant Economic Presence) Order, 2020

By section 54 the payable tax is assessed in the currency which the transaction was carried out. On the amount of tax to be paid, companies with gross turnover of over 100 million naira turnover must pay 30% as tax, companies with gross turnover from 25 million to 100 million naira pay 20%, while companies with gross turnover of N25 million or less don't pay company income tax.

Other types of tax that apply to international trade conducted through e-commerce website are custom duties and excise duties. Custom duties are tax levied on goods imported into a country while excise duties are tax levied goods exported out of Nigeria. Imports and exports are primarily regulated through the Customs, Excise Tariff, etc. (Consolidation) Act and Finance Act 2020. The Acts provide for the levying of ad valorem customs and excise duties on goods imported into and exported outside Nigeria based on harmonized system of custom tariff. Only imported goods are charged with customs duties, and the rates vary depending on the imported item. It can be from 5% to 35%, and is accessed under the Harmonized Commodity and Coding System (HS code).

Cybercrime Regulation

Cybercrime any criminal activity that is committed through digital means i.e digital device and digital network. Since e-commerce involves buying and selling through digital means, a buyer or seller can be a victim of cybercrime. New forms of committing crimes through digital means arise everyday and it is important for there to be legislation protecting victims of cybercrimes and punishing those who commit cyber attacks. In Nigeria the legislation covering cybercrime is Cybercrimes (Prohibition, Prevention, etc) Act, 2015. It is the Nigerian framework for the prevention, prohibition, detection, prosecution and punishment of cybercrime. Cybercrime in e-commerce can endanger either a buyer or seller. Some types of cybercrime that can occur through an e-commerce

platform is hacking, data theft, credit card fraud⁶⁸, charge back fraud⁶⁹

The Act prohibits fraudulent online transactions, including those conducted through e-commerce platforms. The Act criminalizes obtaining unauthorized access to computer systems, networks, or electronic devices with the intent to commit fraud⁷⁰. Service providers and Vendors who had knowledge their business was used for fraud or failed to carry out the due diligence that would have prevented the crime from being committed will also be liable criminally⁷¹. Any person who steals or counterfeits an access device like financial cards (credit, debit, loyalty cards) to obtain cash, credit, goods or service with the intention to defraud is criminally⁷². financial institutions and service providers have the duty to keep information on users and protect their data. If there is an investigation for fraud or illegal activities they are to produce such information to the authorities as well as report any suspicious activity that occurs under their control of their customers information⁷³. financial institutions are to conduct Know Your Customer (KYC) and request for customers means of identification before issuing ATM cards and sending or receiving electronic payment.⁷⁴

Central Bank of Nigeria (CBN)

Another aspect of e-commerce that is subject to legislation and regulatory agencies are payment methods and schemes. The Central Bank of Nigeria (CBN) doesn't directly regulate e-commerce but it regulates online payment for products and services made

⁶⁸ Unauthorized use of a person's credit card to make online payment

⁶⁹ A person makes payment to an e-commerce store, and then requests a refund when the item has been received or service carried out. The bank will refund the customer and the customer retains the purchase or service

⁷⁰ Section 13 Cybercrimes (Prohibition, Prevention etc) Act 2015

⁷¹ Section 29(2)(3) Cybercrimes (Prohibition, Prevention etc) Act 2015

⁷² Section 33 Cybercrimes (Prohibition, Prevention etc) Act 2015

⁷³ Section 38 Cybercrimes (Prohibition, Prevention etc) Act 2015

⁷⁴ Section 37 Cybercrimes (Prohibition, Prevention etc) Act 2015.

through payment methods such as payment gates, cards, payment terminal devices.

CBN passed Guidelines on Operations of Electronic Payment Channels in Nigeria in 2016 to provide for the use of Point of Sale (POS) card acceptance services, Mobile Point of Sale (MPOS) acceptance services and web acceptance services. The guidelines provided the minimum standards and requirements expected of operators of these services. The guidelines cover the following issues related to e-commerce

Payment Gateways: The guidelines sets standards for institutions that integrate payment gateways with e-commerce platforms to ensure secure and efficient payment processing. These institutions must obtain certificates showing their compliance with the standards⁷⁵.

Transaction Security: the guidelines emphasizes the importance of security while making online payments. It mandates the implementation institutions to use security tools like encryption, authentication protocols, biometric identification, know your customers among others to protect sensitive financial information⁷⁶. customers are charged with guarding their payment information and devices such as pins, cards, security question, token, passwords⁷⁷.

Customer Protection and dispute settlement financial institutions must set up dispute resolution mechanisms and acknowledge customers transaction disputes and complaints within 48 hours⁷⁸, if a dispute arises from breach, termination or invalidity of the guidelines, the Central Bank of Nigeria must

⁷⁵ Paras 2.3, 3.2, 4.3 Guidelines on Operations of Electronic Payment Channels in Nigeria 2016

⁷⁶ Paras. 4.5, 3.3, and 3.11 Guidelines on Operations of Electronic Payment Channels in Nigeria 2016

⁷⁷ Para. 4.5.5 Guidelines on Operations of Electronic Payment Channels in Nigeria 2016

⁷⁸ Paras. 4.5.3.8, 3.10.1 Guidelines on Operations of Electronic Payment Channels in Nigeria 2016

resolve it and if it unable do so arbitration may be resorted to⁷⁹. The stakeholders in online payments are defined in paragraph 5.0 as follows:

- Acquirers as bank or any legal person that concludes contracts with merchants to accept payment through electronic payment token.
- Merchant Acquirer are CBN licensed institution that have agreement with a relevant card scheme to contract with merchants to accept payment cards as means of payment.
- issuers are defined as licensed financial institution that issues payment tokens to customers
- Merchant is an organization or person that contracts with Merchant acquirer for accepting payment by payment cards or any other electronic payment instrument.
- Cardholders are individuals or companies issued a payment card that is linked to an account with a licensed financial institution.

Only CBN licensed institutions or persons can qualify as stakeholders. Cross-Border Transactions: The regulation offers guidelines on foreign exchange transactions, settlements, and adherence to global payment standards. The fees and charges for international payments which are in foreign currency will follow the pricing agreement of the relevant international card scheme⁸⁰. Relevant institutions and individuals must comply with the provisions of the guidelines as failure to comply will lead to appropriate sanctions from CBN⁸¹

⁷⁹ para 4.8 Guidelines on Operations of Electronic Payment Channels in Nigeria 2016

⁸⁰ para 2.6, 3.6, and 4.7 Guidelines on Operations of Electronic Payment Channels in Nigeria 2016

⁸¹ para 2.10, 3.11, and 4.9 Guidelines on Operations of Electronic Payment Channels in Nigeria 2016

Intellectual Property

According to the World Intellectual Property Organization (WIPO) Intellectual property (IP) refers to creations of the mind, such as inventions; literary and artistic works; designs; and symbols, names and images used in commerce⁸². Various types of intellectual property arise in e-commerce and it is crucial to protect them. It is important that e-commerce companies protect their intellectual property rights to prevent infringement or theft by third parties, which is capable of reducing their revenue and affecting their brand integrity⁸³. In Nigeria the intellectual property rights that apply to e-commerce include trademark, patents, copyright. They are discussed as follows:

Trademark: this is a mark, insignia, logo that uniquely identifies goods and services of a business. It is imperative for an e-commerce businesses to register its trademark in order to protect its brand identity and prevent customers from mistaking its business as that of another business. Trademark in Nigeria is regulated under the Trademarks Act, Laws of the Federation of Nigeria 2004 (LFN 2004) and by the Trademarks Registry. Trademark gives exclusive use of a mark⁸⁴and grants initial protection for 7 years after which it can be renewed for another 14 years⁸⁵.

Copyright: this is a right that applies to original works of an e-commerce company such as their website and content of the website like images, media, write-ups, software codes⁸⁶. Copyright protection is automatically granted to a person who puts a work in a

⁸² World Intellectual Property Organisation, 'What is Intellectual Property?' available at <[https://www.wipo.int/aboutip/en/#:~:text=Intellectual%20property%20\(IP\)%20refers%20to,and%20images%20used%20in%20commerce](https://www.wipo.int/aboutip/en/#:~:text=Intellectual%20property%20(IP)%20refers%20to,and%20images%20used%20in%20commerce)>.

⁸³ Bisola Scott 'Essential Intellectual Property Rights Protection for E-Commerce Companies in Nigeria' *SP Ajibade & Co* (30th December 2019) <https://spajibade.com/essential-intellectual-property-rights-protection-for-e-commerce-companies-in-nigeria-bisola-scott/?utm_source=mondaq&utm_medium=syndication&utm_content=articleoriginal&utm_campaign=article>

⁸⁴ Section 5 (1)(2) Trademarks Act, Laws of the Federation of Nigeria 2004

⁸⁵ Section 23 (1)(2) Trademarks Act, Laws of the Federation of Nigeria 2004

⁸⁶ Bisola Scott 'Essential Intellectual Property Rights Protection for E-Commerce Companies in Nigeria' *SP Ajibade & Co* (30th December 2019) <<https://spajibade.com/essential-intellectual-property-rights-protection-for-e-commerce-companies-in-nigeria-bisola-scott/?utm>

tangible form or fixed medium from which it can be communicated to others and reproduced⁸⁷. The e-commerce website or mobile application, creative website content and graphics are protected under Copyright Act C28 Laws of the Federation of Nigeria. There is no compulsory requirement for persons to register their work for copyright protection with the Nigerian Copyright Commission, but it is safest to register a fixed work (the e-commerce website) with them.

Patent: this is a protection granted to a creator of an invention to use the invention and profit of it to the exclusion of others. The invention can be anything from software, processes, chemicals etc. An e-commerce platform is eligible for patent protection if the platform is novel or an innovative improvement of an already existing platform and capable of being applied on an industrial case⁸⁸. The protection covers the software invention and the methods and processes used in developing the software.

Trade secrets and confidential information: these are essential intellectual property rights to e-commerce companies. It includes any information or thing that gives a business competitive edge over competitors who do not know or use them⁸⁹. Although Nigeria does not have legislation on trade secret protection, trade secrets can be protected. Trade secret should be restricted to only necessary persons who should also be made to sign non-disclosure agreements. Florence Bola-Balogun and Davidson Oтуру 'PROTECTING SOFTWARE AS INTELLECTUAL PROPERTY RIGHTS IN NIGERIA' AELEX January [2020](#) In Nigeria e-commerce platforms can be patented if it meets these requirements i.e is innovative and can be reproduced on an industrial level. This

_source=mondaq&utm_medium=syndication&utm_content=articleoriginal&utm_campaign=article>

⁸⁷ Section 2 (2)(a)(b) Copyright Act C28 Laws of Federation of Nigeria 2004.

⁸⁸ Section 1(a)(b) Patents and Designs Act, Cap. P2, Laws of the Federation of Nigeria 2004.

⁸⁹ What is a Trade Secret?', World Intellectual Property Organisation, available at:

<<https://www.wipo.int/tradesecrets/en/>>

protection does not cover the platform itself but the innovative methods and processes used in creating the platform.

Consumer Protection in E-commerce

This is vital for building trust, transparency, and fairness in online transactions. Nigeria has set forth several regulations and guidelines to protect consumers engaging in e-commerce activities. Consumer Protection Council Act establishes the Consumer Protection Council as a regulatory body responsible for safeguarding consumer rights and interests in Nigeria. The Consumer Protection Council Act provides that you must display the return and refund policies while ensuring product description accuracy. An e-commerce platform must comply with Nigerian consumer protection laws like the Federal Competition and Consumer Protection Act 2019.

An e-commerce businesses can protect their customers by taking note of the following⁹⁰:
Transparent Pricing: E-commerce platforms should clearly provide the prices of products, shipping fees, taxes, and any other charges. This is to enable consumers make informed decisions and prevent deceptive pricing practices.

Secure Payment Systems: E-commerce companies should ensure its payment systems is secure by using encryption technologies and secure payment gateways. A secure payment system will prevent unauthorized access and use of consumers' payment details.

Return and Refund Policies: E-commerce platforms should have return and refund policies. The terms and conditions for returning products and receiving refunds should be

⁹⁰ Percy A, The Legal Landscape of E-commerce in Nigeria: Regulation and Compliance https://medium.com/@Percy_007/the-legal-landscape-of-e-commerce-in-nigeria-regulation-and-compliance-585e6ab283da#:~:text=The%20country%20boasts%20a%20comprehensive,%2C%20hacking%2C%20and%20identity%20theft. March 9, 2024)

clear and easily accessible. This will build trust in the business and assure consumers in case of unsatisfactory purchase⁹¹s.

Data Transfer

Cross-border data transfer is the sharing of personal data from one national jurisdiction to another. International trade in the twenty-first century is heavily reliant on quick and seamless exchange of data across international borders, and foreign investors and partners are reluctant to operate business in data porous environments and markets⁹²

Nigeria passed The Data Protection Act in 2023 to provide a legal framework for the protection of personal information and establish the Nigeria Data Protection Commission for the regulation of the processing of personal information. The Act applies to the processing of personal data by a data controller or data processor is domiciled in, resident in, or operating in Nigeria; processing of personal data occurs within Nigeria; or the data controller or the data processor is not domiciled in, resident in, or operating in Nigeria, but is processing personal data of a data subject in Nigeria⁹³. The provisions of the Act will not apply to the processing of personal data carried out for personal or household purposes provided that such processing does not violate the fundamental right to privacy of the data subject⁹⁴. Section 65, the interpretation section defines the terms data controller, data processor, data subject, and personal data as follows:

⁹¹ Boris Kwemo 'How to Use Your Return Policy to Build Trust with Customers' Convertmate (20 Aug 23) <https://www.convertmate.io/blog/how-to-use-your-return-policy-to-build-trust-with-customers#:~:text=Creating%20a%20customer%2Dfriendly%20return%20policy%20is%20crucial%20for%20ecommerce,strong%20relationship%20with%20your%20audience.>

⁹² Grey Matter 'Nigeria Data Protection Act: What Individuals, Businesses and Organizations Should Know' (June 2023) pg 1

⁹³ Section 2 (1) Data Protection Act 2023

⁹⁴ Section 3(1) Data Protection Act 2023

"data controller" is an individual, private entity, public Commission, agency or any other body who, alone or jointly with others, determines the purposes and means of processing of personal data;

"data processor" is an individual, private entity, public authority, or any other body, who processes personal data on behalf of or at the direction of a data controller or another data processor

"data subject" means an individual to whom personal data relates.

"personal data" means any information relating to an individual, who can be identified or is identifiable, directly or indirectly, by reference to an identifier such as a name, an identification number, location data, an online identifier or one or more factors specific to the physical, physiological, genetic, psychological, cultural, social, or economic identity of that individual.

Section 41 provides for cross border transfer of personal data. A data controller or data processor from transferring personal data from Nigeria to another country, unless the receiver of the personal data is subject to a law, binding corporate rules, contractual clauses, code of conduct, or certification mechanism that provides adequate level of protection for the personal data⁹⁵, or where the transfer aligns with the one of the conditions set out in Section 43 of the Act. the data controller or data processor must record the basis for the transfer of personal data to another country⁹⁶ under subsection (1) and the adequacy of protection under section 42 of this Act. Simply put the Act permits personal data to be transferred to another country only if the country has adequate level of protection for personal data, and the data controller or data processor is expected to record the reason for transfer and the extent of protection. The Act also empowers the

⁹⁵ Section 41(1)(a) Data Protection Act 2023

⁹⁶ Section 41(2) Data Protection Act 2023

Commission to make regulations for data controllers and data processors to inform it of the processes they put in place to ensure personal data is protected in cross-border transfers⁹⁷.

Finally, despite the laws regulating the field there are still various challenges for businesses that take part in e-commerce. Some of these key legal challenges include⁹⁸:

- **Regulatory Compliance:** The regulations to be complied with are numerous and scattered across various legislation. Keeping up to date and complying with these regulations is complex and time-consuming, especially for start-ups and small businesses with limited resources to engage legal advisory services⁹⁹. It is my recommendation that legislation be enacted specifically for e-commerce transaction and such law would contain all or most of the provisions relevant to e-commerce. The codification of regulations in one law provide easy and smooth access to relevant provisions, will make it easier for businesses to comply, and reduce the burden on advisory bodies.
- **Intellectual Property Protection:** protecting and enforcing intellectual property rights in Nigeria is a tedious process. While some individuals are ignorant of such rights other individuals interested in protecting them find the process cumbersome. Protecting the intellectual property rights of e-commerce businesses is important to safeguard brand identity and innovations. However, enforcing such rights in Nigeria

⁹⁷ Section 41(3) Data Protection Act 2023

⁹⁸ Ayoyinka Olajide-Awosedo, 'E-commerce in Nigeria: Legal Framework and Challenges' Global Law Experts (12th June 2024) <<https://globallawexperts.com/e-commerce-in-nigeria-legal-framework-and-challenges/>> accessed 17th June 2024.

⁹⁹ Omotola, S 'E-commerce regulation and consumer protection in Nigeria: A critical appraisal' *Covenant Journal of Business & Social Sciences (CJBSS)* 11(2020)1-19.

is challenging due to ignorance or lackadaisical attitude of citizens, as well as the lengthy legal processes and inadequate enforcement mechanisms¹⁰⁰

- Cross-Border Legal and compliance Issues: E-commerce businesses that operate on an international level to reach customers from various countries will be subject to legal the legal rules and complexities of these different countries. Dealing with international trade regulations, customs duties, jurisdictional issues, dispute resolution mechanisms requires careful consideration and legal expertise¹⁰¹. I recommend that countries set up strong trade agreements and treaties among themselves to create an enabling environment for cross border e-commerce. Also international trade regulations should be regularly reviewed taking into account legal challenges and complexities of as much nations as possible.
- inadequate infrastructure: factors like illiteracy, poverty, lack of access to the internet and mobile device, lack of trust in online vendors, network issues among others are challenges to the growth of e-commerce in Nigeria¹⁰².

¹⁰⁰ Ani, J. C., & Okpala, C. E-commerce and Intellectual Property Rights in Nigeria' *International Journal of Computer Science and Information Security* (IJCSIS) 17(2019),103-110.

¹⁰¹ Ajiboye, T., & Onikoyi, I. 'Legal and regulatory framework for e-commerce in Nigeria' *Journal of Emerging Trends in Economics and Management Sciences* (JETEMS) 9(2018),1-8.

¹⁰² Ugo Okolie and Awulika Ojomo 'E-commerce In Nigeria: Benefits And Challenges' *Humanities and Social Sciences: Latvia* 28(2020),80-81

CHAPTER FOUR

USEFULNESS AND IMPACT OF E-COMMERCE IN INTERNATIONAL

TRADE

4.1 Online Marketplaces

- The online marketplace carries a variety of goods from different sellers sometimes in different parts of the world, therefore giving users of the marketplace a wider variety to buy from¹. There is opportunity for cross-cultural exchange, consumers no longer have to compromise on the quantity or quality of goods or services due to distance, language barrier, or unavailability of items in domestic market. With either Google translate or a translation feature inbuilt in the website language barrier is reduced or removed entirely giving shoppers access to more foreign markets.
- The nature of the online marketplace combines multiple services in one place. The same platform can accept orders, collect payments, arrange for shipping themselves or through a third party delivery service. All that is needed is the knowledge of what marketplace to search for the needed items. There is no barrier to making speedy payments as the marketplace can accept different payment methods².
- The chain of commercial activity is reduced for businesses and consumers. Consumers do not have to wait for brick and mortar businesses, or middlemen to import items to their domestic market before they have access to them.

¹ Inductus Global, 'The Role of E-commerce in Facilitating International Trade' *linkedin* (28 July 2023) <<https://www.linkedin.com/pulse/role-e-commerce-facilitating-international-trade-inductus-global>> accessed June 8 2024.

² Code Design, 'How Does E-commerce Influence Supply Chain Management' *Code Designs* (9 April 2022) <<https://codedesign.org/how-does-e-commerce-influences-supply-chain-management>> accessed June 8 2024.

Businesses must not have distributors or physical stores in a country before they can have access to its domestic market³.

- Sellers can ease into business when they join the already existing and automated structure of the marketplace. They can leverage on the reputation of the marketplace to get customers⁴. Some marketplaces come with inbuilt accounting and inventory features. What a seller needs to do is to decide on what to sell, affix prices and provide adequate description of his goods or services⁵.
- With service based marketplaces, businesses can employ the service of foreign nationals to work remotely. Barriers to international hiring like restrictive immigration policies, relocation costs, employment laws among others are reduced with remote work⁶. Where the service is one that can be provided to an employer remotely, worries about cost of travel or relocation, immigration laws etc. is removed. For example a company can employ services of a researcher in any part of the world and totally avoid travel expenses.
- With service based marketplaces there is increased efficiency in searching for and hiring foreign workers or professionals. The marketplace allows users view the background of the professional and price of their service. With these users can compare qualifications and prices while hiring, therefore getting the best value for their time and money⁷.

³ Yun Fong Lima and Kejia Hu, *Online Business and Marketplaces* (Textbook for Singapore Management University. July 2022) pg 6.

⁴ Ibid. pg 16

⁵ Ibid. pg 8

⁶ Will Smith, 'Hiring Foreign Workers: Benefits, Challenges, and Management Strategies' *Multiplier* (2 May, 2024) <<https://www.usemultiplier.com/log/advantages-and-disadvantages-of-hiring-foreign-workers>> accessed June 8 2024.

⁷ Sanketee Kher 'B2B Service Marketplaces- Challenges, Benefits, and Best Practices' *3veta* <<https://3veta.com/blog/marketplaces/b2b-service-marketplaces-challenges-benefits-and-best-practices/>> accessed June 10 2024.

4.2 Digital Currency

- Digital currencies will enable businesses and individuals easily carryout instant payment transactions across borders. This will allow individuals with no bank accounts in foreign countries to receive payments, for example individuals can make payment for international contracts. What must be agreed upon is the particular digital currency. A person in Nigeria without having dollars or a dollar account can make purchases from stores in the United States. Difficulty in sending funds to a country with different currency is hereby reduced.
- Digital currencies will enhance the security and transparency of financial transactions⁸. CBDCs will enhance speed and security of centralized payment systems run by banks and financial institutions. Cryptocurrency uses blockchain technology which has a record keeping system where data cannot be altered, tampered with or deleted, this increases the transparency and security of transactions and reduces the risk of fraud⁹. Also bulk money can be exchanged in seconds, individuals can access large amounts of money to trade while in foreign countries. The risks of handling huge amount of cash or sensitive finance documents like cheques, bills of exchange is removed.
- Digital currency will improve financial inclusion of individuals and companies that do not have access to simple banking services of other countries¹⁰. There will be reduced need to have bank accounts or currency of a country before one can

⁸ Areej Alqarni 'The Role of Digital Currency in International Trade: Opportunities and Challenges' *Research Archive of Rising Scholars* (March 2024) pg 5.

⁹ Philip Shoetan and Babajide Familoni 'Blockchain's Impact on Financial Security and Efficiency Beyond Cryptocurrency Uses' [2024]6 Issue 4 *International Journal of Management & Entrepreneurship Research* pg 1212.

¹⁰ Junie Joseph 'Digital Currencies and Cross-Border Payments: An Overview' (Executive Briefings on Trade for U.S. International Trade Commission2023). pg 1

trade. For example visitor from other countries will have reduced need for the foreign currency of the country travel to.

- They lessen the demand for foreign exchange. High demand for a particular foreign currency can be advantageous to the home currency but a problem to other countries. In our present time this is apparent in the weaponization of the dollar. The United States dollar is the most used currency for international trade¹¹. On different occasions the United States of America has imposed economic sanctions on Cuba in 1959, North Korea¹², Iran in 2020 and Russia in 2022 by denying them access to dollars which will be used to trade internationally¹³. With this in mind countries are trying to develop new ways to settle trade. For example, Iran is considering it's CBDC as a way to evade sanctions imposed by the US¹⁴.
- Digital currencies expedite cross border payment when compared to the traditional payment processes. Payment can be made directly between the contracting parties and without the need for intermediaries like distributors, banks, agents, this will make transactions faster and reduce cost¹⁵.
- This digital currency will remove the need for interbank settlement which will enable hassle-free payments without the need for intermediaries. This is good for parties contracting internationally as the days-long processes involved in

¹¹ Seunghwan Kim and others 'Digital Money, Cross-Border Payments, International Reserves, and the Global Financial Safety Net: Preliminary Considerations' (conference note 1 for International Monetary Fund held at Washington DC January 2024.

¹² Jonas Elmerraji 'Countries Sanctioned by the U.S. and Why' <<https://www.investopedia.com/financial-edge/0410/countries-sanctioned-by-the-u.s---and-why.aspx> > July 2023 last accessed May 8th 2024

¹³ The major instances of the United States cutting off a country's access to dollars was to prevent terror financing

¹⁴ Atlantic Council 'Central Bank Digital Currency Tracker' Last accessed April 14th 2024

¹⁵ Incomlend 'The Rise of Digital Currencies: Boon or Bane for Global Trade?' *linkedin* (May 2023) <<https://www.linkedin.com/pulse/rise-digital-currencies-boon-bane-global-trade-incomlend-u9wdc>> accessed June 9th.

traditional payment methods like letters of credit, documentary credit can be avoided¹⁶.

- Time and cost involved in international payment is reduced. Digital currencies will significantly reduce the fees for making cross border payments such as currency conversion fees, bank charges¹⁷. For example, blockchain transactions charge a fee less than 1% of the transaction value, while in traditional banking the fee charged can range from 2% to 5% or even more, depending on the complexity of the transaction and the number of intermediaries involved¹⁸. Time involved in securing traditional finance is also cut down, traditional payment methods have slow processing times due to the involvement of multiple institutions across different time zones¹⁹

4.3 Payment Gates

In regards to cost and time, payment gates are a huge convenience from the traditional means of payment in international trade. They increase efficiency by speeding up payment transactions and reducing or eliminating transaction costs²⁰.

- Since they afford the opportunity to make and collect payments from anywhere they speed up transactions by cutting down the time from using the traditional methods of payment, and reducing or totally eliminating costs paid by parties to their banks or financial institutions that act as intermediaries in the transaction²¹.

¹⁶ Areej Alqarni ‘The Role of Digital Currency in International Trade: Opportunities and Challenges’ *Research Archive of Rising Scholars* (March 2024) pg 5

¹⁷ Ibid. pg 4

¹⁸ Jianing Gao, ‘The Impact of Digital Currency Policies on International Trade and Investment’ [2024]89 *Advances in Economics, Management and Political Sciences Journal* (Proceedings of the 3rd International Conference on Financial Technology and Business Analysis held on 10 June 2024)pg 31

¹⁹ Areej Alqarni ‘The Role of Digital Currency in International Trade: Opportunities and Challenges’ *Research Archive of Rising Scholars* (March 2024) pg 4.

²⁰ Medius, Benefits of Implementing a Payment Processing System (20 June 2023) <<https://www.medius.com/blog/benefits-of-implementing-a-payment-processing-system/>>

²¹ Yu Chen ‘On the Influence of Electronic Payment on Current International Trade in the New Era’ [2020]5 Issue 3 *Finance and Market Journal* pg 191.

- For instance in Nigeria, with adequate funds in the bank and readiness of the involved parties it takes at least one to three days to open a letter of credit, that time is cut down when payment is made through a payment gate. The Nigerian banks also charge an application fee of 1% of the amount involved²². This is not to disregard the reduction of risk or the other benefits and facilities that banks offer to importers and exporters.
- Payment gates improve customer service and experience. A well structured payment gate will create a seamless experience for customers while making payments and business owners receiving payment. The more debit and credit cards a payment gate can accept the more it can satisfy its customers²³.

Impacts on International Trade

E-commerce has widened the frontiers of international trade. Before the advent of these features international trade was open mostly to well established brick and mortar businesses. Without a good amount of capital businesses could not access foreign markets or receive finance to partake in international trade.

- E-commerce has democratized international trade by providing low cost and low barrier entry for Small and Medium Enterprises (S.M.E's)²⁴, they now have greater opportunity to participate in international trade. They can globally establish their presence, advertise and market their products and services without

²² Information sourced by me from a staff of the Central Bank of Nigeria Benin Branch.

²³ Medius 'Benefits of Implementing a Payment Processing System' (June 2023) <<https://www.medius.com/blog/benefits-of-implementing-a-payment-processing-system/>> accessed June 10 2024.

²⁴ Inductus Global, 'The Role of E-commerce in Facilitating International Trade' *linkedin* (28 July 2023) <<https://www.linkedin.com/pulse/role-e-commerce-facilitating-international-trade-inductus-global>> accessed June 8 2024.

having physical stores²⁵. As well as receive payments easier and arrange for shipping from the comfort of anywhere. Since entrepreneurs have expanded market access there will be growth in economic opportunities and job opportunities²⁶.

- Doors are now open to businesses or individuals that are unable to access trade finance. Financing companies like banks, export credit agencies conduct risk assessment exercises and have requirements a business must fulfil to be able to access trading finance i.e. track record of business, tax returns, financial history, net worth, liquidity etc. Businesses that are unable to fulfil the terms and conditions of financing houses can still partake in trade. According to the World Economic Forum digital currency can be an alternative means of having credit information. Public ledgers of digital currency can be used to access the credit information and financial history of individuals and businesses²⁷. With this access to finance will become democratized and will potentially increase economic growth and participation in the global market²⁸
- Digital currencies could serve as alternative payment channel connecting buyers and sellers in underdeveloped or blacklisted countries²⁹, on this note digital currency will ease the movement of money around the world. Before the popularity of digital means of sending money across borders, there was difficulty in accessing foreign currency. It was easier for governments and their financial

²⁵ Yun Fong Lima and Kejia Hu, *Online Business and Marketplaces* (Textbook for Singapore Management University. July 2022) pg 17.

²⁶ International Trade Council 'E-commerce and its Transformation of International Trade'

²⁷ Yan Xiao, Ziyang Fan '3 ways digital currencies could change global trade' for *World Economic Forum* (13 Jan 2022) <<https://www.weforum.org/agenda/2022/01/digital-currencies-international-trade/>> last accessed June 10 2024

²⁸ Jianing Gao, 'The Impact of Digital Currency Policies on International Trade and Investment' [2024]89 *Advances in Economics, Management and Political Sciences Journal* (Proceedings of the 3rd International Conference on Financial Technology and Business Analysis held on 10 June 2024) pg 32

²⁹ (n 26)

institutions to discriminate against payments to certain countries. They would carry out derisking exercises like prohibiting wire transfers and credit cards settlements from a country's local bank accounts. Some of the exercises were for innocent reasons like preventing terrorism financing, money laundering, but sometimes it was for selfish reasons like punishing a government for its policies or stance on certain matters.

- Digital currencies will increase efficiency in making cross border payment. The traditional methods of cross order payments require human verification of sender and receivers information and the speed of payment is dependent on the business hours of the sending and receiving financial institution³⁰. Since money is able to move around the world easier with digital currencies, there is more access to international employment opportunities. Digital currency and payment gates will make it easier to take on international employees.

- E-commerce offers benefits that will increase efficiency in business operations. Businesses have easier access to information on international markets, supply networks, consumer preferences³¹. Gathering information becomes cheaper and faster as online sellers can track consumers shopping patterns, and learn what goods or services are searched for and requested the most³². The result of this is that the significance of geographical location and traditional business

³⁰ Yan Xiao, Ziyang Fan '3 ways digital currencies could change global trade' for *World Economic Forum* (13 Jan 2022) <<https://www.weforum.org/agenda/2022/01/digital-currencies-international-trade/>> last accessed June 10 2024

³¹ Nuray Terzi 'The Impact of E-commerce on International Trade and Employment' (7th International Strategic Management Conference 10 Septemer 2011) 745–753.

³² Yun Fong Lima and Kejia Hu, *Online Business and Marketplaces* (Textbook for Singapore Management University. July 2022), 8

networks will reduce as consumers and sellers can be matched and interact electronically³³.

- E-commerce has improved trade in intellectual property. It is now possible to access intellectually protected materials like copyrighted books, patented information, music, designs, software, photographs etc³⁴ that can be transferred digitally. Through online marketplaces like Goodreads and Google Scholar, books and articles can be sold or rented. Small time creators have access to an international market to advertise and market their property³⁵. Companies can contract the services of creators or inventors to create intellectual property from any part of the world.

³³ ECLAC 'Electronic Commerce, International Trade and Employment: Review of The Issues' (presented at UN, Economic Commission for Latin America and the Caribbean ECLAS, Washington Office, April 2002),1-30.

³⁴ Nilendu Chatterjee, 'Intellectual Property Rights and Development of E-commerce Industries' in Mrinal Das and Bimalendu Gosh (eds), *INTELLECTUAL PROPERTY RIGHTS: A SOPHISTICATED WAY to Education sector reform* (Kunal Books, February 2024) 143

³⁵ Khaira A Yazeed Moaiad and others 'The Future of E-commerce in the Publishing Industry' 203

CHAPTER FIVE

SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 Summary of Findings

Chapter two provides an overview of international trade and explanation of online marketplaces, digital currency, and payment gates. The chapter defines international trade as any commercial transaction that occurs between different countries, and traces the history from the ancient Greek and Roman civilization to the present twenty first century. It also highlights reasons for engaging in international trade, such as inequality in the distribution of resources and the benefits of international trade to exporting businesses, national economies, and importing countries. The chapter proceeds into an explanation of online marketplaces.

Online marketplaces are defined as application software and websites for buying and selling goods and services and the first online marketplace can be traced to the late 1970s. The chapter discusses the convenience they offer while performing the role as intermediaries between buyers and sellers. The methods through which a marketplace generates revenue are by charging commission, listing fees, or subscriptions. The marketplace can have a vertical or horizontal model.

Furthermore the chapter examines digital currency, its history, and types. Digital currency is a currency that exists only in digital form. The types of digital currency are cryptocurrency, central bank digital currency and virtual currency. Digital currencies are not widely in use so the chapter discusses their use, potential benefits and risks. Digital currencies are only available digitally and cannot be exchanged physically like fiat currency, therefore a user must have a wallet and be connected to the internet or a

designated network to perform transactions. While digital currencies offer benefits like reduction in cost of maintaining financial system and increase in efficiency of payment systems, their volatility is a major disadvantage.

Finally, the chapter examines payment gates, their history, types, and how they operate. A payment gate is a channel for collecting online payments for sellers from buyers collect payment information of buyers to process. They operate by verifying buyers' financial information and collecting payment for the seller. A gateway can collect multiple payments for a seller at the same time from any location.

Chapter three is an overview of the regulatory framework governing e-commerce in China. It highlights the E-Commerce Law of China (ELC) as the major legislation. The legislation was passed in 2019, and covers areas of e-commerce which include competition, intellectual property, consumer rights, data protection, cyber security, and advertisement. The law states the responsibilities of e-commerce sellers and platforms. it emphasizes fair business practices, consumer protection, and compliance with tax regulations. The law imposes obligations on e-commerce sellers, such as registration, tax payment, environmental responsibility, and accurate advertising. It also mandates e-commerce platforms to verify sellers' information, ensure network security, and maintain transaction records. Furthermore, it addresses intellectual property rights, electronic payment methods, and dispute resolution mechanisms. The specific provisions for cross-border e-commerce were outlined. The provisions emphasize the governments development of infrastructure and mechanisms to support international trade. Additionally the taxation system on the income of e-commerce enterprises is discussed. The difference between resident and non-resident entities is explained, and the tax rates and payment procedures for the two entities are discussed.

Overall, the Law provides aims to foster a transparent, secure, and fair e-commerce environment in China that will protect both businesses and consumers while facilitating the growth e-commerce in China.

Chapter three also discusses the regulatory landscape of e-commerce in Nigeria. It highlights the laws and institutions pertaining to e-commerce companies in Nigeria. The laws include the Nigerian Data Act 2023, Cybercrimes Act 2015, and the Consumer Protection Act Cap 25 2004. The institutions include National Information Technology Development Agency (NITDA), National Electronic Commerce Council (NECC), Consumer Protection Council (CPC), and Corporate Affairs Commission (CAC). These agencies have the duty to oversee compliance with the regulations.

Incorporation and taxation of e-commerce companies is discussed. To operate an e-commerce business in Nigeria, registration under the CAMA 2020 is mandatory. Tax obligations is governed by the Finance Act 2020 and it requires e-commerce companies to pay Company Income Tax and Value Added Tax (VAT). Company income tax is levied on company income made in Nigeria and income of Nigerian companies made outside Nigeria, while value added tax is levied on goods produced and services rendered in Nigeria. Non-compliance with the provisions on taxation will lead to fines and penalties.

Intellectual Property protection regimes of trademarks, copyrights, and patents are discussed. They are vital to safeguard the identity and products of the e-commerce company. The legal protection is provided to the e-commerce company's brand name, digital assets, and innovative processes used in their e-commerce platforms. Consumer Protection is discussed next. Consumer rights and interests are protected under laws like the Federal Competition and Consumer Protection Act 2019. Transparent pricing, secure

payment systems, and clear return and refund policies are essential to any e-commerce site that wants to build trust and ensure fairness in online transactions. Cybercrime Regulation is discussed, the Cybercrimes Act 2015 addresses various cybercrimes such as hacking, data theft, and fraud in e-commerce. Strict penalties are imposed for offenses, including imprisonment and fines to deter cybercriminal activities. Regulation of payment systems by the Central Bank of Nigeria is discussed. The Central Bank of Nigeria passed a guideline that set standards for operators and stakeholders in electronic payment transactions. These standards are to protect the parties in an electronic payment transaction, compliance is mandatory as there are sanctions for non-compliance. Cross-border data transfer is examined. The Data Protection Act 2023 governs the transfer of personal data across borders, requiring adherence to stringent protection measures. Personal data can only be transferred to countries with adequate data protection standards, strict record-keeping and reporting requirements.

In conclusion, Chapter three is a comprehensive discussion of the regulatory framework of e-commerce in China and Nigeria, which is aimed at ensuring legality, security, and protection for businesses and consumers engaged in online transactions.

Chapter four discusses the impact of e-commerce in international trade, focusing on the use of online marketplaces, digital currency, and payment gates. Online Marketplaces provide access to a wider variety of products and services without geographical limitations and language barrier. It reduces the commercial chain activities for businesses and consumers. Businesses can reach potential consumers in most countries and consumers are no longer solely reliant on middle men or brick and mortar businesses in their domestic country before they can purchase imported goods. The marketplace has also simplified entry for small and medium businesses into international trade. Digital currencies facilitate instant cross-border transactions, enhance financial

inclusion, and reduce certain risks associated with traditional banking. Additionally, the chapter discusses how digital currencies can bypass limitations imposed by countries, leading to more direct and cost-effective international transactions. Payment gates are advantageous for the efficiency and convenience they offer in ensuring faster and cost effective transactions when compared to the traditional payment methods in international trade. The chapter concludes by outlining the broader impacts of e-commerce on international trade, including increased participation of small and medium enterprises (SMEs), eased access to trade finance, improved movement of money globally, enhanced trading efficiency for businesses, and expanded opportunities in intellectual property trade.

5.2 Recommendations

The application of technology to international trade is beneficial for all the parties involved. However, besides the risks of international trade there are additional risks to the use of technology in international trade. Buyers and sellers face risks of fraud and theft, and it is necessary to be educated on how to stay safe when engaging in electronic commerce transactions. The following should be noted:

- To mitigate risks, buyers and sellers must be diligent and extra cautious of the marketplaces, and payment platforms they engage with to avoid their data or identity from being stolen.
- Buyers should make careful selection of goods or services by checking the reputation of the sellers, reviews of other customers, reputability of the marketplace before making payment in order to reduce their chances of falling for false advertising (what I ordered versus what I got).

- Operators of marketplaces must be on the watch for any suspicious activities on their websites to protect sellers or buyers and avoid incurring liability to sellers or buyers for fraudulent activities carried out on their marketplace.
- Operators of marketplaces must monitor the activities of sellers on their marketplaces to prevent or reduce cases of sellers sending fake or wrong products to buyers.
- The marketplace operators must also create a fast response platform to resolve disputes that arise between buyers and sellers.
- Operators of marketplaces should regularly inspect and update their website software to ensure smooth running of their marketplace.
- Payment gates should be given additional layers of security like two-factor authentication, encryption, and one time passwords when collecting payments. This will prevent theft or wrongful use of buyers' payment details and diversion of sellers' money.
- Governments should proactively follow trends in the e-commerce industry to enable them pass relevant legislation and make timely amendment to already enacted legislation. The relevant agencies and bodies must be diligent in overseeing e-commerce activities, and ensuring the involved parties remain compliant with the established regulations.
- Governments should create clear policies that encourage the use of digital currencies and financial institutions should be encouraged to integrate digital currencies to their system.

5.3 Conclusion

The employment of e-commerce to international trade will decentralize the highly centralized international market, control of economic activities by few individuals or companies will reduce. The borders to international trade will be open to any individual with the finance and capacity to trade. While these will be advantageous to many there may be negative aspects to it. In a world with law breakers absence of a centralized commerce system will pose challenges. With a centralized system it is easier to monitor and checkmate illegal or prohibited activities. A decentralized system will be more difficult to monitor activities like corruption, money laundering, and terrorism will be easier to perpetrate. However a unique feature and sometimes disadvantage of the digital system is that every activity can be recorded and monitored. On this basis it will be possible to check prohibited activities and be on the constant look out for activities that endanger others.

While the existence of online marketplaces, digital currency, and payment gates has been widely accepted for international trade, the traditional means of trading cannot be totally eliminated. Any of the parties especially the seller can decide to stick with the traditional means, most times out of distrust of anything that has to do with the internet. This distrust or reluctance to conduct transactions through the internet is more seen with the older generations.

However, in a world where the activities and transactions necessary and incidental to daily life and business are becoming digital, it will be difficult or near impossible to strictly stick to the traditional or non-digital ways of doing things. All that is required to plug into the digital method of conducting business, is access to the internet and a mobile

device. Knowledge of the risks, benefits, and workings of digital platforms and transactions will be necessary to stay ahead.

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