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Digital Economy Agreements (DEA): A Breakthrough for SMEs in Nigeria?

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Abstract:
The digital economy is the future. Digitalisation and technological disruption, accelerated by the impact of the COVID-19 pandemic, have transformed consumer behaviours and business models considerably and created new opportunities. For example, e-commerce has enabled manufacturers to reach consumers directly. The rise of platforms and apps with multiple integrated services from transport to finance and telemedicine have changed how services are consumed. Businesses are also increasingly reliant on electronic transactions and digital solutions, from sourcing to invoicing and payments. Secure and seamless cross-border data flows are essential to the growth of the digital economy and to ensure that consumer's interests are safeguarded.

The digitalisation of trade has also brought greater attention to regulations which require the forced localisation of data or disclosure of source code. Fragmented rules on data protection has also led to varying restrictions for personal data transfer and increased compliance costs.

The DEAs aim to address these challenges to better enable our businesses, including SMEs to connect internationally with partners overseas.

Keywords: ***Agreement, Digital, Economy, Enterprises***

1.0. Introduction:

SME is an abbreviation for Small to Medium-sized enterprises that meets certain restrictions on employee or financial measurements. SMEs refer to businesses with assets, revenue or employees that fall below a certain number.[1] The number of employees in SMEs vary from industry to industry. In a modern economy, the SMEs Sector plays an important part, proving to be the most tremendous innovative system and to an appreciable extent, the indicator for a thriving economy. The Post COVID-19 reality has witnessed an accelerated rise in the use of the digital economy to promote trade and services.

"Digital economy" refers to the use of information technology to create or adapt, market or consume goods and services. Digital novelties include digital banking, e-commerce, virtual education, smartphone apps and collaboration platforms. Millions around the world can take part

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[1]"Small and Medium-sized Enterprises (SMEs)", https://www.indeed.com/career-advice/career-development/smes-meaning, accessed on 15th April, 2023

in the digital economy to buy or sell goods and services.[2]The digital economy is divided into three key components viz;

a. **Infrastructure.** Businesses have software, hardware and other technological resource, plus specialist human talent.
b. **E-business.** Computer applications, online tools and digital platforms help carry out business processes.
c. **E-commerce.** A familiar concept, e-commerce means the sale of goods and services online.[3]

The priority of a digital economy is to support and promote the possibilities of digital technology and the internet in promoting the innovation of products, services, processes and business models. The digital economy, in addition to increasing capital and labour productivity, also helps in obtaining goods and services at lower prices and promotes a level playing field for entrepreneurs anywhere in the world.

The reality of a future global trade network powered by the digital economy has created the need for Digital Economy Agreements (DEAs) to protect businesses, especially the SMEs, Intellectual properties, collection, analysis and storage of data etc.

A Digital Economy Agreement (DEA) is a treaty that establishes digital trade rules and digital economy collaborations between two or more economies. DEAs improve implementations of standards and systems and support businesses, especially SMEs, engaging in digital trade and electronic commerce. DEAs, in addition, support cross-border data flows and safeguard personal data and consumer rights.[4]

In Nigeria, the SMEs forms the "Middle Class" Economy and keeps the economy "above water". The SMEs in addition are the largest participators in the global digital economy. There is need for a Digital Economy Agreement to protect the businesses of SMEs who through technology play at the continental and global trade field.

The benefits of this agreement to the thriving SMEs in Nigeria will be discussed in this article.

2.0. SMEs and the Digital Economy:

Small and Medium Enterprises (SMEs) play a major role in most economies, particularly in developing Countries. SMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development. They represent about 90% of businesses and more than 50% of employment worldwide. Formal SMEs contribute up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included[5]. With respect to funding and access to funds, SMEs are less likely to

[2]"The Digital Economy: what it is and why it's the future of business" https://www.santander.com/en/stories/digital-economy, accessed on 15th April, 2023

[3] Ibid

[4]"Digital Economy Agreements (DEAs)" https://www.mti.gov.sg/Trade/Digital-Economy-Agreements, accessed on 15th April, 2023.

[5] Small and Medium Enterprises (SMEs) Finance, World Bank SME Finance: Development news, research, data | World Bank, https://www.worldbank.org/en/topic/smefinance#:~:text=SMEs%20account%20for%20the%20majority%20of%20businesses%20worldwide,40%25%20of%20national%20income%20%28GDP%29%20in%20emerging%20economies; accessed on 29th April, 2023.

be able to obtain bank loans than the bigger, established firms. Founders, generally rely on internal funds or cash and loans from friends and family to launch and run their businesses. These make SME development, a priority for many governments around the World.[6]

Small and medium-sized enterprises (SMEs) are a vital part of the global economy, contributing to job creation, innovation, and economic growth. One of the most significant benefits of SMEs is their ability to create jobs. SMEs are often the main source of employment in developing countries and emerging economies and it provides opportunities for people to start their businesses, gain work experience, and develop new skills. This can lead to economic growth and increased prosperity, particularly in developing countries where job creation is crucial for poverty reduction and improved access to opportunities.

SMEs are also important drivers of innovation. Because they are smaller and more flexible than larger corporations, SMEs can often respond more quickly to changes in the market and develop new products and services that meet the needs of their customers. This can lead to increased competition and improved quality of goods and services.

The digital economy is an emerging concept that refers to the economic activity that arises from billions of everyday online connections among people, businesses, devices, data, and processes. It encompasses all economic activities that rely on digital technologies and data, including e-commerce, digital payments, online marketplaces, cloud computing, and digital platforms.

The rise of the digital economy has been driven by several factors, including the proliferation of digital devices, the growth of the internet, the increasing use of data analytics, and the emergence of new technologies like artificial intelligence and blockchain. These developments have transformed the way we work, communicate, and consume goods and services, creating new opportunities and challenges for businesses, workers, and governments.

One of the most significant benefits of the digital economy is its ability to create new sources of growth and innovation. By harnessing the power of data and digital technologies, businesses can develop new products and services, reach new customers, and increase their productivity and efficiency. This can lead to job creation and economic growth, particularly in industries that are heavily reliant on digital technologies.

3.0. The Digital Economy Agreement:

The Digital Economy Partnership Agreement (DEPA) was born out of the common interest of Chile, New Zealand and Singapore to harness the potential of the Digital Economy to target smaller economies and provide more opportunities to include more people and MSMEs in the global economy. Chile, New Zealand and Singapore signed the agreement in a virtual ceremony on June 12, 2020. The Digital Economy Partnership Agreement entered into force in Chile on November 23, 2021. On May 22, 2022 the Ministry of International Trade, Export Promotion, Small Business and Economic Development, announced that Canada and China have submitted formal requests to launch negotiations for their accession to the Digital Economy Partnership Agreement (DEPA). The main objective of this agreement is to establish basic rules to promote these countries as platforms for the digital economy. This includes not only having a friendly framework for companies, where they can export their digital services and products, but also exploring new

[6] *Ibid*

subjects in the technological context that serve society in general through inclusive economic development.[7]

The Digital Economy Agreement (DEA) is a novel type of trade agreement that focuses on the development of the digital economy. It aims to promote economic growth, innovation, and job creation by eliminating barriers to digital trade and facilitating the flow of data across borders. Since its introduction and signature by Singapore, New Zealand and Chile, The DEA has since proven to influence enormous impact on the digital economy and expand the potentials of the SMEs.

The DEA is designed to promote the growth of digital trade by removing barriers to trade in digital goods and services. This includes provisions that address issues such as data localization, cross-border data flows, intellectual property rights, and cybersecurity. The agreement also includes measures to promote cooperation on emerging technologies such as artificial intelligence, block chain Technology, and the general use of the Internet.

One of the key provisions of the DEA is the commitment to free flow of data. This means that businesses in the participating Countries can transfer data across borders without restrictions, subject to appropriate safeguards. This is particularly important for businesses that rely on cross-border data flows, such as those in the e-commerce, cloud computing, and financial services sectors.

Another important provision of the DEA is the commitment to cooperate on cybersecurity. This includes measures to promote information sharing, capacity building, and joint cybersecurity exercises. This is critical in an era of increasing cyber threats, and will help to ensure that businesses and consumers in participating countries are protected from cyber- attacks.

The DEA also includes provisions that address issues related to intellectual property rights (IPR). This includes commitments to ensure that IPR laws are updated to reflect the digital age, and to enhance cooperation on IPR protection and enforcement. This is important for businesses that rely on IPR, such as software developers and creative industries. By facilitating digital trade and promoting innovation, the agreement will create new opportunities for businesses, generate new jobs, and contribute to economic growth. It will also help to position the participating countries as leaders in the digital economy, and enhance their competitiveness in the global marketplace.

4.0. The Digital Economy Agreement and its importance to SMEs in Nigeria:

The DEA is particularly beneficial for small and medium enterprises (SMEs), which is the backbone of the national economy but may struggle to compete in the global digital marketplace.

One of the primary benefits of the DEA for SMEs is the elimination of barriers to digital trade. Traditional trade agreements often focus on the elimination of tariffs and non-tariff barriers for physical goods, but the DEA goes beyond that by addressing the barriers that prevent SMEs from participating in digital trade. For example, the DEA provides for the free flow of data across borders, which allows SMEs to access new markets and customers, collaborate with international partners, and leverage digital tools and technologies to streamline their operations.

[7]"Foreign Trade Information", Ministry of Trade and Industry, Singapore, The Digital Economy Partnership Agreement (DEPA) (mti.gov.sg), https://www.mti.gov.sg/Trade/Digital-Economy-Agreements/The-Digital-Economy-Partnership-Agreement; accessed on 30th April, 2023.

Another benefit of the DEA for SMEs is increased access to digital services and technology. The DEA encourages the development of digital infrastructure, including broadband networks and data centers, which are critical for SMEs to compete in the global digital marketplace. It also provides for the protection of intellectual property rights, which is essential for SMEs that rely on innovation and creativity to drive growth and competitiveness.

The DEA also supports SMEs through capacity building and technical assistance programs. These programs aim to help SMEs develop the skills and knowledge they need to take advantage of the opportunities provided by the digital economy. For example, the DEA includes provisions for training and education programs, mentoring and coaching services, and access to financing and investment opportunities.

The WTO reports that in Nigeria, the Development Finance Project, a wholesale development finance institution that will provide long-term financing and partial credit guarantees to eligible financial intermediaries for on-lending to MSMEs. has disbursed US$243.7 million, reaching nearly 50,000 end-borrowers, of which 70% were women, through 7 banks and 10 microfinance banks to finance the underserved MSMEs[8]

The DEA promotes a level playing field for SMEs in the digital marketplace. It includes provisions on competition policy, transparency, and regulatory cooperation, which help to ensure that SMEs can compete on an equal footing with larger firms. This is particularly important for SMEs that may not have the same resources as larger firms to navigate complex regulatory environments and comply with different legal and technical standards in different countries.

In Summary, the Digital Economy Agreement (DEA) offers many benefits to SMEs by eliminating barriers to digital trade, increasing access to digital services and technology, providing capacity building and technical assistance, and promoting a level playing field in the digital marketplace. These benefits are critical for SMEs to compete and thrive in the global economy and contribute to economic growth and job creation. Therefore, the government and policymakers are encouraged to support the implementation of the DEA to ensure that SMEs can take full advantage of the opportunities provided by the digital economy.

5.0. Conclusiom:

In conclusion, the digital economy is a rapidly evolving concept that is transforming the way we work, communicate, and consume goods and services. Inspite of its enormous and significant opportunities for growth and innovation, it also poses several challenges to traditional trade, particularly with regard to job displacement and cybersecurity.

The implementation of the DEA in the Nigerian Economy to protect the SMEs can ensure that the benefits of digitalization are shared fairly across society, while promoting innovation and economic growth in the digital marketplace.

[8]"Small and Medium Enterprises (SMEs) Finance", World Bank SME Finance: Development news, research, data | World Bank; https://www.worldbank.org/en/topic/smefinance#:~:text=SMEs%20account%20for%20the%20majority%20of%20businesses%20worldwide,40%25%20of%20national%20income%20%28GDP%29%20in%20emerging%20economies; accessed on 2nd May, 2023