Digital Trade & The Digital Economy

The Impact of USMCA Chapter 19 in Mexico

71% of Mexicans (92 million people) were connected to the internet in 2021.

- Pay for Digital Content: 83%
- Use Shopping Apps: 77%
- Order Takeout Online: 62%
- Use Online Ride-Hailing Services: 50%
- Use Mobile Payment Services: 27%

Digital sales in Mexico increased by 170% between March and December 2020.

And by April 2021, e-sales were still 140% of pre-pandemic levels.

In 2020, 50.7 million Mexicans spent $28 billion USD on e-commerce.

- Travel (33.51%)
- Fashion/Beauty (19.72%)
- Food/Personal Care (8.42%)
- Furniture/Appliances (13.22%)
- Toys/DIY/Hobbies (15.05%)
- Digital Music (1.48%)
- Video Games (8.6%)

The most frequent online transactions are digital subscription purchases, phone service payments, and online banking.

Mexico is one of the few countries where digital commerce is growing at a faster rate than physical commerce.

64% of Mexican SMEs relied on the digital economy in 2020.

- 69% increased social media usage
- 46% increased sales via social media
- 72% used online messaging more
- 52% increased sales via online messaging
- 58% increased use of online payment platforms
- 93% believe that technology can support business growth

However, there are still barriers that keep Mexicans from fully engaging in the digital economy:

- Concerns of online fraud (30.3%)
- Unwillingness to share banking information online (28.03%)
- Fear of making a mistake while online shopping (20.08%)
- Confusion regarding how to pay with cash (12.12%)
- Unsure of how to shop online (9.47%)

Assurances against online fraud
More payment method options
Reduced reliance on cash
Faster and easier returns
Simpler shipping procedures
Enhanced cybersecurity regulations
Greater data privacy standards

What would bolster the digital economy?

Implementing USMCA Chapter 19 would facilitate all of these goals.

During the COVID-19 pandemic, digital commerce offered businesses an alternative, low-cost way to reach customers while promoting social distancing and keeping the economy active.
What does Mexico stand to gain from implementing Chapter 19 regulations?

- Favors international competition, prohibiting preferential treatment for domestic data transfers over international ones.
- Cross-Border Privacy Rules System, easing and standardizing data transfer mechanisms.
- Provisions to protect personal data, making e-commerce safer for consumers.
- Increased thresholds for tariff-exempt goods that can be sold, so companies can export more goods without paying taxes.
- Bans disguised restrictions on trade, creating transparency and predictability for businesses.

How would Chapter 19 support SMEs?

- Reduced restrictions will allow SMEs to enter foreign markets more easily.
- Increased transparency and predictability will make it logistically and financially easier for SMEs to engage in cross-border trade.
- Targeted support for facilitating SME trade and investment will support business and give way to new opportunities.
- Data privacy stipulations will attract consumers, boosting SME digital sales.

80% of private investors prefer to invest in countries with safe harbors – like those stipulated in USMCA Chapter 19.

Implementing USMCA Chapter 19 would support Mexico’s digital transition – benefiting SMEs, consumers, and the economy as a whole.

What must Mexico do to reap the benefits of USMCA Chapter 19?

1. **Connect entrepreneurs.**
   - Companies must have access to reliable internet and related tools to participate and boost the digital economy. Government programs like "Internet for All" are a step in the right direction.

2. **Build digital skillsets.**
   - SMEs must learn to use and adopt digital tools and skills and to transition to digital systems, particularly to weather the pandemic’s lasting effects. Tailored programs to incorporate, train, and elevate female entrepreneurs into the digital economy are also essential. The Ministry of Economy has created a series of instructive and supportive programs along these lines, helping increase domestic and foreign trade.

3. **Promote Finnovation.**
   - Further digitalizing the financial sector would make the digital economy more accessible. Aside from bolstering the digital and general economies, enhanced cybersecurity, standardized data protection measures, expanded digital payment options, and equitable financial technology practices can help root out corruption and identify financial crimes.

4. **Create legislation.**
   - Mexican lawmakers must pass legislation to conform domestic policies with USMCA Chapter 19 prescriptions.

With so many internet users already engaging with digital products, effectively implementing Chapter 19 regulations could transform Mexico’s digital economy.

USMCA Chapter 19 makes digital trade more accessible and safer. With reduced barriers to entry, positive consumer protection, and widespread connectivity, digital trade in Mexico is bound to grow, benefiting the broader economy.