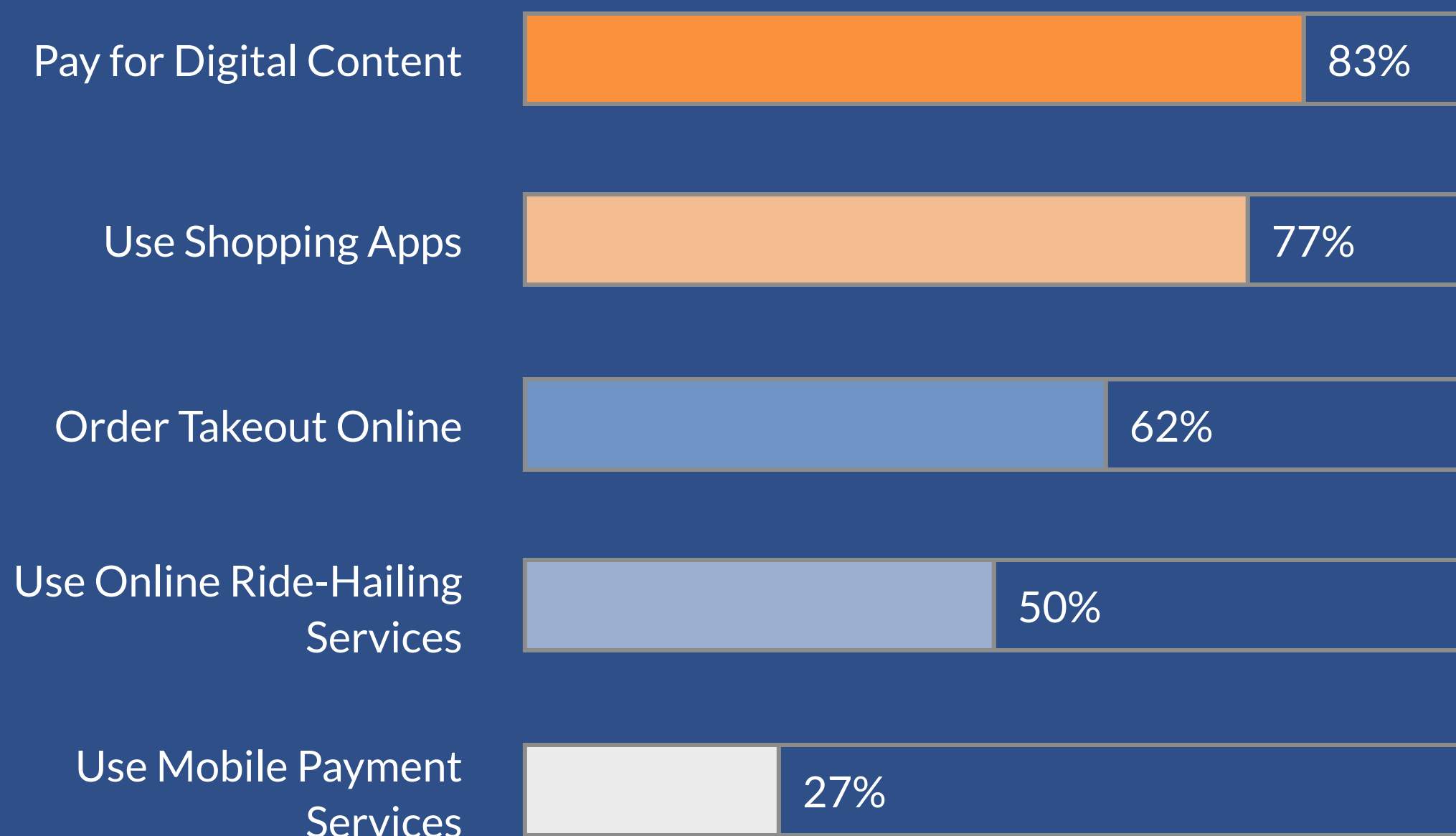


Digital Trade & The Digital Economy

The Impact of USMCA Chapter 19 in Mexico

71% of Mexicans

(92 million people) were connected to the internet in 2021.



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**.

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

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%)

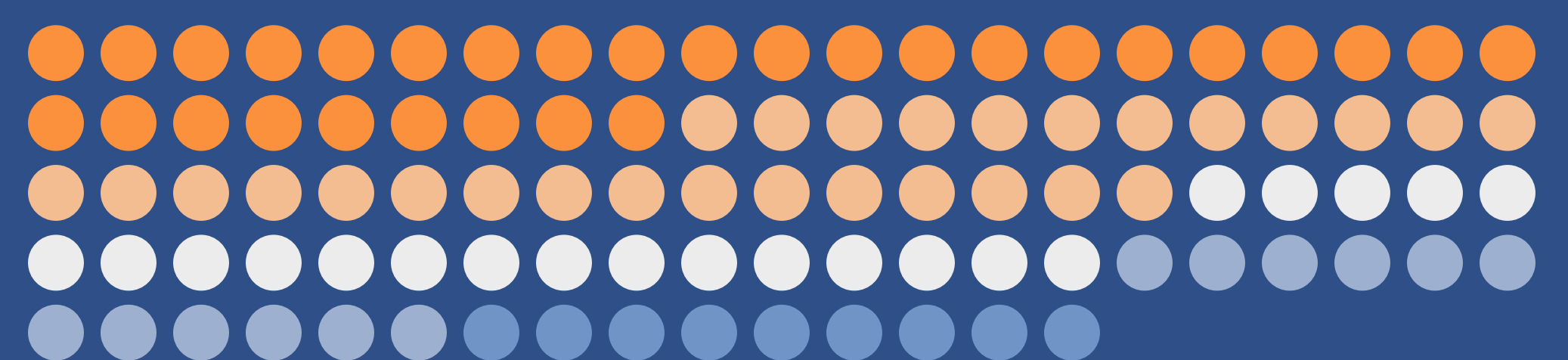


The most frequent online transactions are **digital subscription purchases, phone service payments, and online banking.**



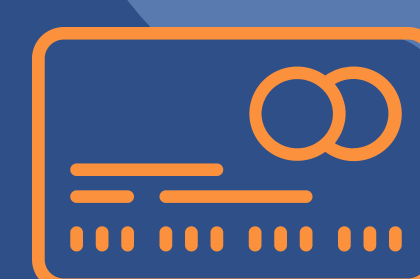
Mexico is one of the few countries where **digital commerce** is growing at a faster rate than **physical commerce.**

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%)

What would bolster the digital economy?



- 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

Implementing **USMCA Chapter 19** would facilitate all of these goals.



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.*

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**.



How would Chapter 19 support SMEs?

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**.

Reduced restrictions will allow **SMEs to enter foreign markets** more easily.

80% OF PRIVATE **INVESTORS** prefer to invest in countries with **safe harbors** – like those stipulated in **USMCA Chapter 19**.

*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.*