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**China and the Pacific Alliance:  
An Opportunity or An Obstacle for the Latin American Regional Digital Market?**

**By: Karla Estephany Alvarado Romero**

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## Introduction

The People's Republic of China (PRC, hereinafter China) is the digital trade world's leader as its e-commerce market has become the most prosperous in the past years. Its success has to do with the particular characteristics that distinguish it such as its spatial distribution that vary greatly across provinces in the country. The availability of a user-friendly internet platform is also a major feature of the rapid development of China's e-commerce, as well as its fast logistics to minimize delivery time and costs. What is more, it counts with market players that jointly have contributed to accelerate its growth including e-platforms companies, e-payment operators, e-vendors, warehousing operators, and express shippers. Among them, the role of e-commerce platforms companies, e.g. Alibaba, has been crucial to the evolution of this kind of trade. But the government has played a key role as well as it has put in place regulations and policies to support the sector.

Since 2006, the Chinese government formulates a plan every five years to promote the development of e-commerce. This date coincides with the second phase in the evolution of this kind of trade in China of the four that can be identified: germination stage (1997–1999), construction stage (2000–2007), evolution stage (2009–2015), and mature stage (2016 until the present). As Beijing's specialization in manufactured goods became more technologically sophisticated over time, in a period of only two decades (2000-2020) it moved from low-technology to medium-technology and high-technology manufacturing exports. And with its high growth trend, e-commerce has become a new bright spot in the Chinese economy which is in line with its economic primacy in other sectors.

The increase of more sophisticated goods has allowed the Asian Giant to become the most important export market for Latin America and the Caribbean (LAC). It is now the second-largest trading partner of the region after the United States (US) –with which it competes for global digital trade governance– and it has become one of its principal providers of physical and digital infrastructure. However, the Chinese strong interest in LAC's digital and technology markets is raising concerns on the other side of the Pacific. The Latin American region experienced important advances in terms of digital transformation already during the last decade, but they have been moderate compared to the advances made by its Chinese counterpart. And, paradoxically, while the digital transformation has been seen as an opportunity to recover from the COVID-19 pandemic, the latter increased the wide digital divide in LAC and its economic dependence on both superpowers (China and the US).

In this context, regional integration has been seen as an opportunity to face the challenges brought by the sanitary crisis and a project for a Latin American regional digital market has gained more attention. In this regard, the Pacific Alliance –Mexico, Chile, Colombia, and Peru– seeks to turn into the roadmap for such a project to take advantage of the region's digital potential through the harmonization of strategies, the articulation of all levels of digital development and the participation of multiple actors that could play a major role in boosting productivity and regional value chains. Nonetheless, China's engagement with LAC, and particularly with the Pacific Alliance members, in a broad range of digital sectors –digital

infrastructure, information and communications technology (ICT), 5G, big data, cloud computing, artificial intelligence, and the Internet of Things (IoT)—, has increased the region's economic dependence on Beijing.

The PRC's dynamism exhibited for over four decades, the sheer size of its economy, its heightened competitiveness and its increased presence in world markets—including now the global digital market—is having a major impact on LAC that is more specialized in primary products and resource-based manufactures. And since the high value parts of global value chains are being located in China, the spread of its e-commerce has expanded the channels through which it could affect the Latin American countries, especially those derived from the growth of their bilateral economic relation including: the growing significance of Beijing as a market for Latin American exports, the increased penetration of the LAC market by Chinese goods and the growth of bilateral Foreign Direct Investment (FDI) between the Asian Giant and the region. Based on the foregoing, the question arises as to whether China would mean an obstacle or an opportunity for the Pacific Alliance's regional digital market project.

With the intention of answering this question, the three main objectives of this paper are: providing a conceptual framework to understand the relevance of digital trade for the transformation of the international economy; identifying the origin, main characteristics and relevance of the regional digital market project led by the Pacific Alliance; and studying the trade relationship between Latin America, with emphasis on the members of the Pacific Alliance, and China to determine whether the Asian Giant represents an opportunity or a threat to the regional digital market project.

In this vein, it is hypothesized that China represents more of an obstacle than an opportunity for the regional digital market because it has the economic superiority to determine both the dynamics of the global digital market and that of the Latin American region. Its approach to the latter in general, and to the Pacific Alliance member countries in particular, is uneven given the presence of the United States in the region. And since Latin America plays a crucial role in the competition between Beijing and Washington for the global governance of digital commerce, the possibility of the Pacific Alliance to find a common ground to harmonize its regulations on digital trade will be minimal.

To test this hypothesis, the paper is divided into four sections. The first one corresponds to the conceptual framework and definition of digital trade. The second section describes the Pacific Alliance's project for the Latin American Regional Digital Market and its approach to the Asian-Pacific region in the digital era. The third part exposes the Latin America-China-US triangular relationship, the characteristics of Chinese e-commerce, the role of LAC in the competition for global digital trade governance and the relevance of the Pacific Alliance for the Chinese digital market. In the last part the conclusions are presented.

## Part 1. Unpacking Digital Trade: Conceptual Framework and Definitions

“Digitization”, as opposed to the broader process of “digitalization”, is commonly understood to reflect the encoding of information or procedures into binary bits that can be read and manipulated by computer. Digitization can take many forms such as the translation of analogue measurements, encoding business and industrial processes, voice over Internet protocol or social networks. Collectively, the changes produced by different forms of digitization, the resulting applications, systems, platforms, and the effects on economic and social activity constitute “digital transformation” –or digitalization (OECD, WTO and IMF 2019: 32). Therefore, the use of “digitization” as the basis for a definition for “digital trade” is restrictive and, in any case, difficult to operationalize in a practical and meaningful way for measurement purposes. That being said, a definition that focused purely on whether products were ordered via digital channels would also be deficient, as it would exclude many transactions in digitized, or digitally delivered, services that are not digitally ordered. An approach that marries these two modes (ordering and/or delivery) can overcome these deficiencies (*Idem:*). In this regard, there are several international efforts to establish such an approach, which are intended to be the basis for national policies.

Although the concept of digital trade has gained prominence as a subset of the broader measurement of the digital economy, to date there is no single recognized and accepted definition of it. The different concepts, which refer to digital trade or electronic commerce (e-commerce) indistinctly, have predominantly been established by the international organizations that are the basis of the Western democratic liberal system. Since the first e-commerce working programme was formulated in 1998, the World Trade Organization (WTO), the Organization for Economic Co-operation and Development (OECD), and the Asia-Pacific Economic Cooperation (APEC), have continuously been discussing rulemaking for e-commerce. The main point of discussions that have been negotiated over the years are the concept of e-commerce (more specifically, its definition) and the classification of “digital contents” (whether it is a good, a service, or a use of intellectual property) (Ministry of Economy, Trade and Industry of Japan 2017: 633). However, a consensus has not been reached yet.

The WTO’s working definition is very broad, and it is only focused on the term “electronic commerce” which is understood to mean “the production, distribution, marketing, sale or delivery of goods and services by electronic means.” It also includes the consideration of issues relating to the development of the infrastructure for electronic commerce (General Council of the WTO 1998: 1). More recently, during the 11th WTO Ministerial Conference, held in Buenos Aires in December 2017, WTO Members, including European Union (EU) Member States, engaged in the negotiations that aim to facilitate electronic transactions (e.g. e-contracts, e-signatures, e-payments); enhance consumer and business trust; address barriers related to cross-border data flows and data localization requirements; protect computer source code; facilitate online trade in goods (e.g. paperless trade); improve the regulatory conditions for telecommunications services by updating the WTO Telecommunications Reference Paper; and

improve market access in services sectors and goods that are key for e-commerce (European Union n.d.).

For its part, the OECD member countries endorsed a definition of e-commerce in 2001 divided into two definitions of “electronic transactions” based on narrower and broader definitions of the “communications infrastructure”. The latter were revised and edited in 2009, unifying such broad and narrow definitions into a single one. Thus, the expression “electronic transaction” was replaced by “e-commerce transaction” that is understood as “the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders. The goods or services are ordered by those methods, but the payment and the ultimate delivery of the goods or services do not have to be conducted online. An e-commerce transaction can be between enterprises, households, individuals, governments, and other public or private organizations.” (See Table 1). But although this definition is intended to be more inclusive, it is not without its issues. For example, for individual members of households e-commerce presents an alternative method of purchasing (and increasingly selling) goods and services for private use. Meaning that it is reduced only to the method by which an order is placed or received, rather than the payment or channel of delivery, which, in fact, determines whether a transaction is an e-commerce transaction or not (OECD 2011: 72-115).

**Table 1. Examples of cross-border e-commerce transactions**

Description	Digitally produced?	Digitally delivered?	Good or service?	Actors involved
A metalworking company in country A purchases a machine from the website of a supplier located in country B.	Yes	No	Good	B2B
An advertising company in country A purchases online big data analytics services from a supplier located in country B.	Yes	Yes	Service	B2B
A consumer in country A purchases binoculars from an e-commerce platform located in country B.	Yes	No	Good	B2C
A toy company in country A purchases online from a supplier in country B a CAD file with the design of a toy for 3D printing.	Yes	Yes	Both	B2B
A consumer in country A books a stay in a particular apartment in a city in country B through a specialized platform.	Yes	No	Service	C2C

B2B: Business-to-business transaction.

B2C: Business-to-consumer transaction.

C2C: Consumer-to-consumer transaction.

Source: Author, adapted from WTO (2018), table B.3. in Herreros 2019, p. 10.

By its side, the World Customs Organization (WCO), a member of the TFITS, has also recently launched an initiative to better identify and monitor e-commerce transactions in customs records (López González and Jouanjean 2017: 20). Moreover, the Task Force on International Trade Statistics (TFITS), responsible for developing and advancing methodological standards in measuring international trade statistics (IMTS 2010, MSITS2010), co-chaired by the OECD and the WTO, has been leading and coordinating international efforts to develop a conceptual measurement framework with other international organizations, including the United Nations

Conference on Trade and Development (UNCTAD) – the E-Government Development Index (EGDI) is the most comprehensive measure worldwide–, the International Monetary Fund (IMF), and the World Bank Group (WB). The UNCTAD-led eTrade readiness assessments programme, works with developing countries to identify concrete actions in key policy areas, to strengthen their ability to benefit from digital trade. While the UNCTAD Working Group on Measuring E-commerce and the Digital Economy is well positioned to prepare a stocktaking of current approaches to measuring e-commerce among member States and to identify best practices for wider adoption (UNCTAD 2022: 4).

While efforts to define and measure digital trade (or 'e-commerce' as it is historically called in the referred institutions) have not found common ground, there is a general consensus that multilateral rules are needed to develop a common, coherent approach that tackles global challenges effectively, fosters new opportunities, and encourages the expansion of digital trade (European Union n.d). But ensuring more inclusive outcomes from it requires a holistic and coordinated approach to formulating and implementing relevant policies (UNCTAD 2022: 1) that respond to new scenarios created by digitalization. For instance,

*by having competitive software industries, the United States is in the position to classify e-commerce as a “good” which the general principle of non-discriminatory obligation applies on digital contents. On the contrary, taking into account the need of cultural protection such as audio-visual industry, the EU is in the position to classify e-commerce as a “service” in which each member has a discretion to make a reservation on the commitment. Japan places itself in the middle, which it does consider e-commerce as neither “goods” nor “services”, but advocating the assurance of general principle of non-discriminatory treatment from the perspective of promotion of trade liberalization. (Ministry of Economy, Trade and Industry of Japan 2017: 634).*

Like them, other countries are in the position of interpreting the concept at their convenience. To avoid such complicated scenarios, a conceptual differentiation of "e-commerce" and "digital trade" is necessary since it is common that the terms are used interchangeably. But are e-commerce and digital trade the same? The following section seeks to answer this question.

### **1.1 Are E-commerce and Digital Trade the Same?**

“E-commerce” is the most common way to refer to the manner we trade in the digital world, and it is often thought simply as buying and selling using the Internet. But according to Dave Chaffey (2015) it should be considered as all electronically mediated transactions between an organization and any third party it deals with. By this definition, non-financial transactions such as customer support and requests for further information would also be considered to be part of e-commerce (OECD 2011: 73). This is relevant because the type of e-commerce transaction for ordering is the key element of the definition.

Already in 1997, Ravi Kalakota and Andrew Whinston referred to a range of different perspectives for e-commerce which are still valid today: [1] A communications perspective

(the delivery of information, products or services or payment by electronic means); [2] A business process perspective (the application of technology towards the automation of business transactions and workflows); [3] A service perspective (enabling cost cutting at the same time as increasing the speed and quality of service delivery); and [4] An online perspective (the buying and selling of products and information online). This shows that e-commerce is not solely restricted to the actual buying and selling of products, but also includes pre-sale and post-sale activities across the supply chain (Chaffey 2015: 13).

Lundquist and Kang (2021) state that e-commerce is primarily conducted between businesses, executed sometimes through digital platforms, such as e-commerce marketplaces and direct purchases through business websites, or by other means, like electronic data interchange and the digital platform technologies behind them. In this regard, two functional categories that define the main e-commerce activities are “web e-commerce” and “EDI e-commerce”. The first one is defined as “the orders made at an online store (webshop) or via web forms on the Internet or extranet regardless of how the web is accessed (computer, laptop, mobile phone, etc.)”. And an order initiated with EDI (electronic data interchange) is “an e-business tool for exchanging different kinds of business messages. EDI is here used as a generic term for sending or receiving business information in an agreed format which allows its automatic processing and without the individual message being manually typed. EDI e-commerce is limited to EDI messages placing an order” (OECD 2011: 74). Additional types of e-commerce might be considered important to measure it.

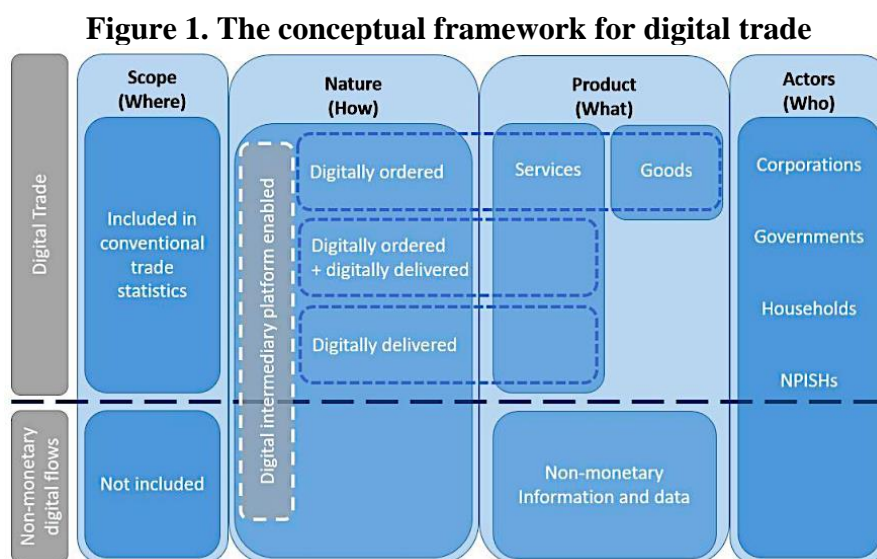
Paradoxically to technological advances, statistics on cross-border e-commerce are scarce (UNCTAD 2016) and one reason for this is that international activity facilitated by digitization has extended to non-monetary transactions, especially those involving data, where measurement and valuation are particularly complex and where ongoing efforts are largely in their infancy. As a result, there is concern that current statistics underestimate the size of trade supported by non-monetary transactions and there is growing policy demand for indicators of these activities (OECD, WTO and IMF 2019: 20). In order to cope with this problem, a broader definition that allows a comprehensive analysis of the phenomenon is crucial and that for “digital trade” is applied in this work as the most suitable for this purpose. It is worth mentioning that the concept of e-commerce is considered complementary and not opposed to it. Having said that, it is possible to introduce the most relevant aspects that are considered when talking about digital trade.

As happens with the concept of e-commerce, for digital trade the nature of the transaction – digitally ordered and/or digitally delivered– is its overarching defining characteristic, allowing to distinguish digital trade flows from non-digital ones (OECD and IMF’s Statistics Department 2018: 23). Under this definition “digitally ordered trade” can be understood as “the international sale or purchase of a good or service, conducted over computer networks by methods specifically designed for the purpose of receiving or placing orders.” While “digitally delivered trade” can be explained as “the international transactions that are delivered remotely in an electronic format, using computer networks” (UNCTAD 2022: 1). In any case, both

conditions are complementary and are crucial to determine whether or not the transactions in question can be considered as digital trade.

## 1.2 Categorizing Digital Trade

Digital trade affects all sectors of the economy and refers to commerce enabled by electronic means –by telecommunications and/or ICT services– and covers trade in both goods and services (European Union n.d). More broadly, it can be understood as “trade that is digitally ordered and/or digitally delivered, and develops a conceptual framework around the *where* (in the accounts are transactions recorded), the *how* (are digital trade transactions defined), the *what* (types of products are included) and the *who* (are the buyers and sellers)” (OECD, WTO and IMF 2019: 30). This is relevant because one of the main concerns driving the need for better evidence on digital trade has been the perception that large parts of trade are not being recorded because of digitalization. Consequently, any conceptual framework needs to have a product dimension as well as information on the actors involved. In this vein, the OECD proposes a conceptual framework for digital trade that aims to include all the elements above mentioned (see Figure 1).



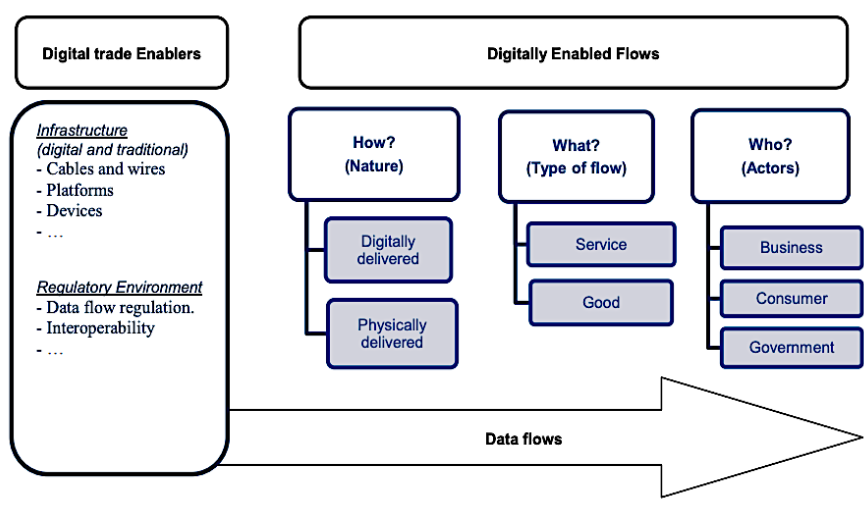
Source: OECD, WTO and IMF 2019, p. 33.

One important additional element that characterizes the definition of digital trade and that can be highlighted from such conceptual framework concerns the role of digital intermediary platforms (DIPs), both because of their important role in the digital economy as well as the fact that they raise specific compilation challenges. DIPs are defined as “online interfaces that facilitate, for a fee, the direct interaction between multiple buyers and multiple sellers, without the platform taking economic ownership of the goods or providing the services that are being sold” (OECD and IMF’s Statistics Department 2018: 23). In this framework, DIPs are considered an important component of actors since what transcends through them –data or information– underpins the digital economy ecosystem.

The exacerbation of digitalization during the COVID-19 pandemic has strengthened the role of digital platforms since the global economy became increasingly virtual because of physical distancing measures, and they have become integral to value-creation processes, such as collecting data. The impact of their role is such that digital platforms are reshaping economies by enabling new international transactions and playing an increasing role in trade and the global value chains (GVCs). In this regard, research shows a link between trade facilitated by digital platforms –especially for e-commerce marketplaces– and GVCs (Lundquist and Kang 2021: 191). Moreover, digital trade has helped accelerate GVC trade and opened up new avenues for businesses, consumers (households) and governments to interact. Among the diverse kinds of platforms, social networks generate an enormous amount of data that, processed through online analysis tools, become an input for the design of productive and market strategies (ECLAC 2013: 10). But the more data are generated, the more challenges there are since data flows are a means of production, but they can themselves be traded.

The movement of data is at the core of new and rapidly growing service supply models such as cloud computing, the Internet of Things (IoT) and additive manufacturing (López González and Jouanjean 2017: 4-13). They connect businesses, machines, and individuals to each other blurring the lines between the modes in which goods and services are delivered. These characteristics lead to the creation of a series of different categories that make it difficult to measure and analyze digital commerce homogeneously. A typology for analyzing digital trade would be a very useful tool for a better understanding of the trade policy issues that arise in this new trading environment. In this regard, Javier López-González and Marie-Agnès Jouanjean (2017) offer a tentative typology of digital trade that can be used to unpack transactions and analyze the issues about the definition, measurement, and policy implications of digital trade (see Figure 2).

**Figure 2. A tentative typology for digital trade**



Source: López González and Jouanjean 2017, p. 13.

For this typology, digital trade may involve physical goods as well as products and services that can be delivered digitally; that is, delivery as well as payment may be offline or online. By

their part, digital trade enablers provide the hard and soft infrastructure which support digital trade transactions. While, as referred before, data flows enable digital trade transactions and also support trade through enabling control and coordination along international production networks or facilitating the implementation of a range of trade facilitation measures. However, while all digital trade is enabled digitally, not all digital trade is digitally delivered (*Ibidem*: 12). Additionally, based on such tentative typology, the same authors propose a classification of digital trade by three main digital retailers or marketplaces: (1) trade in ride-sharing services, (2) 3D printing and (3) social networks (See Table 2).

**Table 2. Using the indicative typology to think about digital trade**

Example	How?	What?	Who?	Trade issue	Measurement	Horizontal Issues
<b>Digital retailer or marketplace</b>  (book purchase)	Physically delivered	Good	B2C (often SME)  C2C	GATT, in relation to the item;  GATS in relation to the intermediary  Trade facilitation	Captured in trade statistics (depending on <i>de minimis</i> rule in place) but collaboration with business needed to determine how much of this trade is digitally enabled.	Data transfers, Infrastructure (access to and speed thereof), e-payment platforms, statistical classification of service, sector of sale or nature of actual activity? Interoperability, privacy regulation
<b>Ride-sharing services</b>	Digitally delivered or Physically delivered	Service	B2C	Domestic regulations / disruption, GATS commitments	Transport service in principle but ride-sharing company provides platform and insurance services. Mode of delivery unclear.	
<b>3D printing</b>	Digitally delivered or Physically delivered	Service or good	B2C  B2B	GATS or GATT commitments? interoperability, IPR, competition policy.	Hard to identify transaction. Classification issues if considered as services.	
<b>Social networking</b>	Digitally delivered	Non-monetised service	B2C	Zero-cost to consumer, enables other (potential) cross border services	Value of service decoupled from way it is monetised so hard to trade	

Source: López González and Jouanjean 2017, p. 17.

In regard to trade in ride-sharing services they involve the purchase of a transport service, but how the service is provided determines whether or not there is a trade transaction in the first place and importantly how this transaction is to be measured. By its side, 3D printing, or additive manufacturing –the process of superimposing layers of material to create structures from computer-aided design (CAD) files using a 3D printer– involves trade in low volume specialized products, but it has the potential to fundamentally alter the geographical location of international production. Finally, while the delivery of the social networking service is similar to a traditional digitally delivered service, the transaction between the producer of the service and the consumer, or user, is not directly monetized. Moreover, the delivery of the social networking service requires data to be transferred to and from the consumer (*Ibidem*: 15-18) bringing more complications on the social media and digital platforms that exist today.

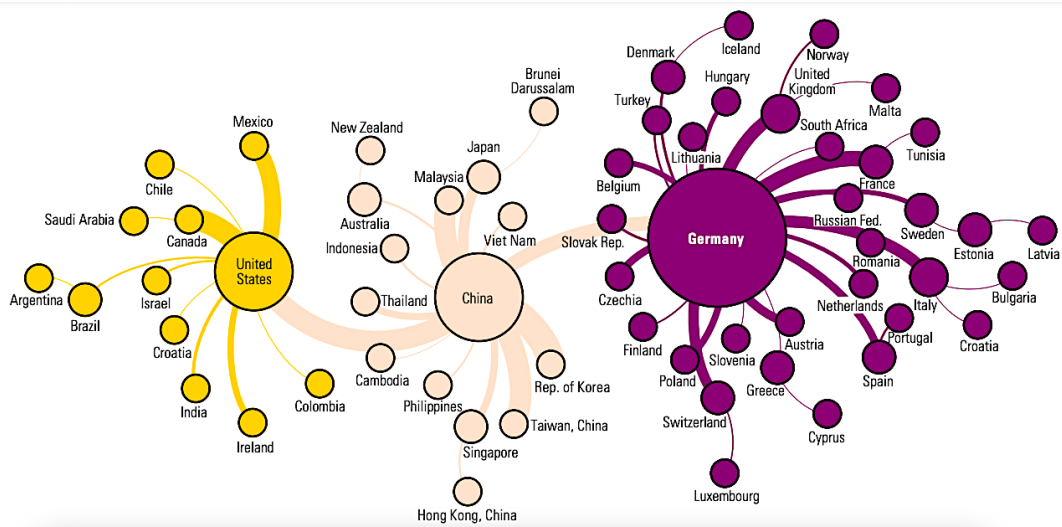
### 1.3 The Digitalization of the Economy and the Global Value Chains

Today, the concept of Global Value Chains (GVC) –which is closely linked to the process of globalization– has become a fundamental reference point for any socio-economic and international analysis (Dussel Peters 2018: 7). However, it is not a new concept. Its antecedents date back to the late 1970s with some work on the "commodity chain". The concept of "global commodity chain" was later introduced by Gary Gereffi (1994), and already in the 2000s, derived from changes in world trade dynamics, there was a shift in terminology from "global commodity chain" to "global value chain" that emerged from the analysis of commercial and industrial organization as a value-added chain in the international business literature (De Backer and Miroudot 2014: 45).

The GVC concept captures several characteristics of the world economy: the increasing fragmentation of production across countries, the specialization of countries in tasks and business functions rather than in specific products, and the role of networks, global buyers and global suppliers. In other words, it implies that the production process is no longer carried out in a specific country (Levy-Dabbah 2018: 40). De Backer and Miroudot (2014) define a value chain as the “full range of activities that firms and workers do to bring a product from its conception to its end use and beyond, including: design, production, marketing, distribution and support to the final consumer”. But despite the generality of the concept, each segment within the value chain uses different combinations of production factors, has different opportunities to create value added and backward linkages, and offers different opportunities for the development of specific technological capabilities (Hernández 2014: 11).

The GVC framework sheds light on how an industry or sector participates in the sequence of activities required to bring a product or service through the entire process of production, including delivery and after-sales services. Moreover, can also identify hierarchical or power-based relations within the chain, which in turn determine the geographical location of production segments (*Ibidem*: 11-21). For instance, geographic differences in value-chain participation are present in regional versus global participation. Since 2000, North America, with the United States at the heart, has had the highest ratio of regional to global value-chain participation rates, although this has weakened slightly (Lundquist and Kang 2021: 187); Asia, with China, Japan and the Republic of Korea as the main players; and Europe, centered around the large regional economies, particularly Germany (See Figure 3) (ECLAC 2020: 89).

**Figure 3. Global production centers in value added trade**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of D. Tagliani and D. Winkler, “Making global value chains work for development”, Trade and Development series, Washington, D.C., World Bank, June 2016.

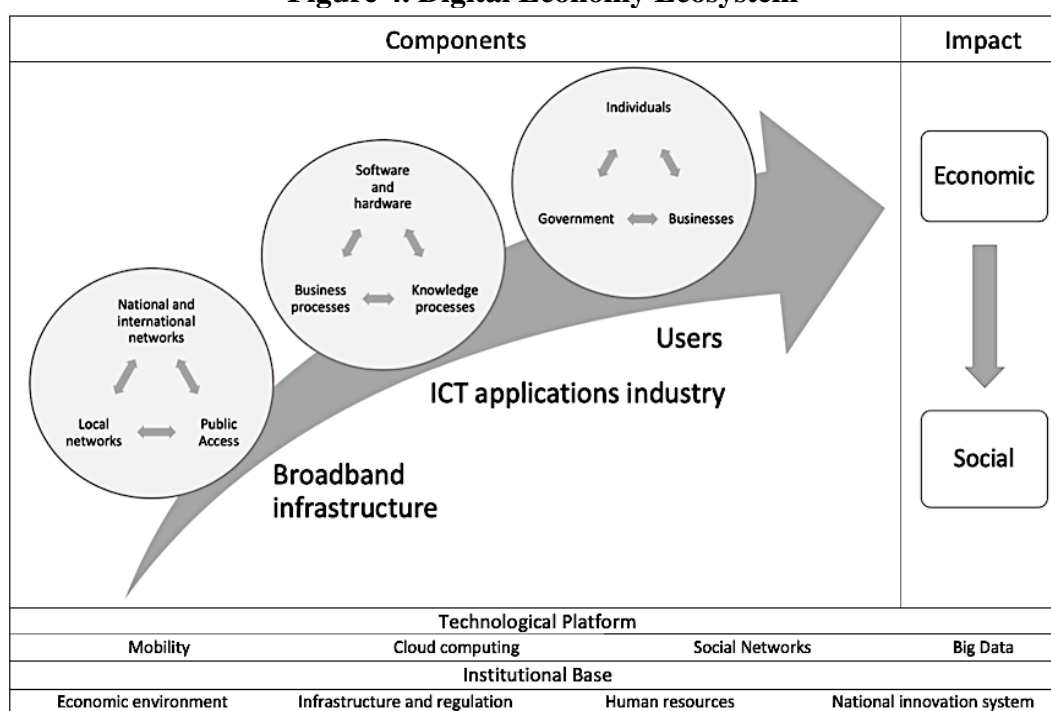
Global value chains have changed the nature and structure of the world economy and they have brought revolutionary changes in international trade, industrialization, and economic development becoming a dominant feature of world trade (OCDE n.d.). First, it has created an increasingly integrated nature of world markets, which can be explained to a large extent by trade liberalization, regional integration agreements (RIAs), agglomeration and location economies, falling transportation and transaction costs and rapid technological advances, especially in information and communication technologies (ICT). Likewise, it has promoted the “disintegration” of the production process, in particular the increasing presence of intermediate goods in global trade, which allows for the strategic global dispersion of different value-added activities in value chains or global production networks (Hernández 2014: 21).

Moreover, “the greater the degree of economic integration into a regional production network, the greater the intraregional activity of global value chains. Thus, value chains are generally more regional than global. The degree of regionalization varies significantly depending on the global chain in question” (ECLAC 2020). As a result, the world economy is more and more structured around global value chains, which account for approximately 80% of world trade (Gereff 2015: 27), making of critical importance to include their analysis in the policy proposals related to the insertion of any economy to the outside world (Dussel Peters 2018: 48) increasingly connected.

Besides the development of global value chains (GVCs), the new digital economy is one of the two largest changes that have affected international trade since the 1990s. Both are inherently connected to the above-mentioned new information and communication technologies (ICT). Nonetheless, the interaction between the digital economy and GVCs is not well explored (Lundquist and Kang 2021: 179). As this work aims to contribute to the efforts to understand that interaction which determines the digital trade dynamics, it is considered crucial to explore first the digital economy ecosystem where such chains develop.

Since the digital economy is made up of telecommunications infrastructure, information and ICT industries, as well as the economic and social activities network facilitated by the Internet, cloud computing and mobile networks, the Economic Commission for Latin America and the Caribbean (ECLAC) offers a model of an ecosystem characterized by three main components that, depending on their degree of development and complementarity, determine its level of maturity in each country: (1) the broadband network infrastructure (whose basic elements are national and international connectivity, local access networks, public access points and affordability); (2) the ICT applications industry (the software and hardware industry includes the development and integration of software applications, network infrastructure management, and the electronics and equipment assembly industry. Other ICT-enabled services include the business process industry and the analytical or knowledge process industry); and (3) end users (individuals, businesses and government who define the degree of absorption of digital applications through their demand for services and applications) (See Figure 4) (ECLAC 2013: 9-10).

**Figure 4. Digital Economy Ecosystem**



Source: ECLAC 2013, p. 10.

Undoubtedly, the digital economy has expanded trade opportunities, but how has it affected GVCs? Digital platforms and the new digital economy are inherently connected with GVCs. On the one hand, the organization of trade along GVCs was itself in part spurred by the adoption of digital technologies which led to a decrease in coordination costs and increased international mobility of management and manufacturing expertise (López González and Jouanjean 2017: 8). On the other hand, digital technologies have created a whole new GVC governance structure —internet driven GVCs— that bring in the digital platform itself as an intermediary actor along with sellers or providers (supply side) and buyers or clients (demand

side). Such “internet-driven GVCs” are diminishing the importance of physical stores and retailers, a trend that has been magnified by the COVID-19 pandemic. Also, they have added important new dimensions, including the two-sided market where customers can directly contribute their feedback to sellers or manufacturers, thereby influencing future product development and output. As a result, internet-based virtual intermediaries, who are replacing physical ones, have developed whole new value chains, such as the data-driven value chain for the generation, processing, and sale of data products (Lundquist and Kang 2021: 193).

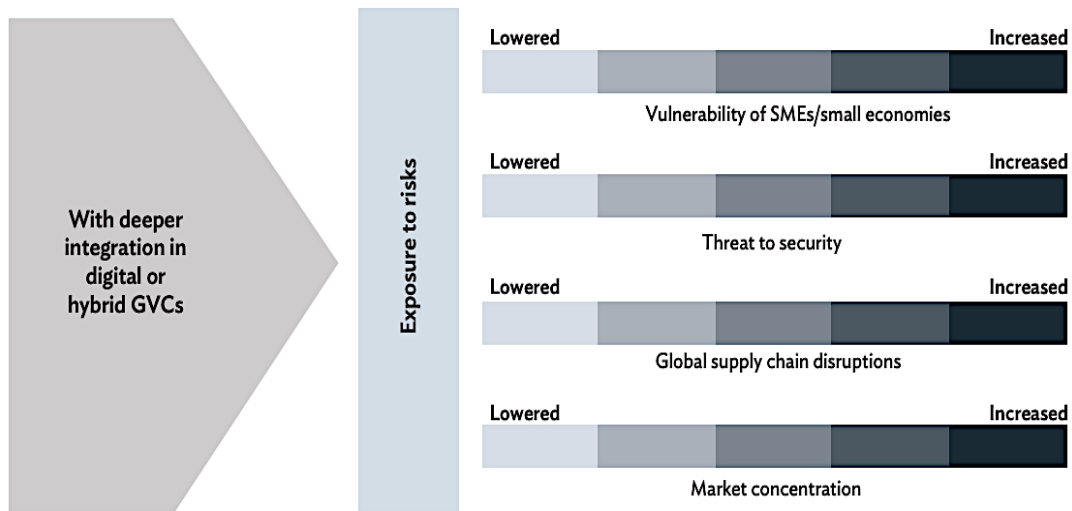
In this ecosystem trade is not just about digitally delivered trade, it is also about more physical trade enabled by growing digital connectivity increasing access to foreign markets for firms in a way that would previously have been unimaginable (López González and Jouanjean 2017: 3-10). The latter has been boosted by digital technologies and enhanced connectivity through data flows that are increasingly less clear cut the lines between goods and services. Moreover, the space between final consumers and producers, and indeed between producers and producers has been shrunk, providing previously unimaginable access to new markets. However, even though goods increasingly embody digital characteristics, most of these transactions involve non-digital goods or services (OECD, WTO and IMF 2019: 32), which complicates the analysis of such commercial dynamics and its derivatives. So, if most transactions involve non-digital goods or services, and not all cross-border data flows represent commercial transactions, it is possible to glimpse the difficulty in identifying the nature and characteristics of such transactions. This has brought several challenges and policy implications in the field of digital trade.

#### **1.4 Challenges and Policy Implications of Digital Trade**

Digital platforms can enhance the commercial dynamics of the digital economy ecosystem by increasing competition within markets and making GVC more efficient. But these platforms can also pose challenges. An increasing concern besides the potential gatekeeper effects posed by monopolistic digital platforms is the amount of user data and information collected by them. Moreover, digital platforms themselves have been accumulating vast amounts of information on the users of their platforms, and this certainly enhances their ability to use this information to their advantage (Antràs 2020: 21). And there are also argued to be growing dangers of market dominance in the increasingly winner-takes-all environments.

These issues, while not directly related to trade policy, might have an impact on the way that trade takes place (López González and Jouanjean 2017: 22). To graphically represent these and other challenges, Kang, Bacate, and Ramizo (2020) illustrated that although digital or hybrid GVCs present many opportunities for inclusiveness, they also pose increased risks, which include increased threats posed by cyberattacks, a greater risk of global supply chain disruptions, and less market power when using monopolistic digital platforms because of consolidation (See Figure 5).

**Figure 5. Risks Created from Digital Platforms**



GVC = global value chain, SMEs = small and medium-sized enterprises.  
 Source: Source: J. W. Kang, M. L. Bacate, and D. Ramizo. 2020. *Digital Platforms and Global Value Chains*. Unpublished. Asian Development Bank.

Different digital trade transactions raise different issues, particularly related to trade policy and measurement. Even though many of the issues are not new, unpacking transactions makes them more visible. For instance, the transfer of data across borders has led to growing concerns about digital security, audit capacity and protection of individual privacy. In regard to measurement, one major challenge concerns data flows which do not result in a monetary transaction, but which may support one. In addition, a significant gray area remains on the operations of multinationals and their ability to either record services or primary income flows depending on how they deliver services. This affects not only the estimation of international trade and investment flows, but also statistics on digital trade, which are not visible enough to adequately meet growing policy needs (*Ibidem*: 19), nor to fully respond to the changes brought by the accelerating digital transformation of the economy in the context of the pandemic.

What is more, the degree to which the multilateral system is able to deal with the changes brought by digital trade is doubtful. A key role of the multilateral trading system is to level the playing field so that countries compete on equal terms. The question is whether the system is really complying with this condition, since, as exposed before, the multilateral efforts to regulate electronic commerce started more than two decades ago but there is still no consensus on the matter. And this trend has increased exponentially in the context of the pandemic during which technological change spread more rapidly than ever before, changing business models and the way international trade and production were organized.

With these conditions, further analysis will be necessary to identify trade rules that can cope with the new reality of the post-COVID-19 era. In this regard, data access, privacy, and security are important. Ensuring that data is securely available for use and for the generators to have portable access to their own information is important for innovation and competition (Lundquist and Kang 2021: 193-194). Further challenges will also arise relating to data flows

and the role of ICT companies who are currently leveraging the information of their customers. Finally, and in view of making the gains from the digital transformation more inclusive, further attention to the development aspects, or to how countries at different stages of development engage in digital trade transactions, will be required (López González and Jouanjean 2017: 22). Particular attention should be paid to the regional economic integration processes which, as a result of the sanitary crisis, have been given a new impetus.

Such a tendency is not a coincidence but the result of the failure of multilateral efforts to regulate the digital transformation of the economy, since e-commerce challenges rules at all levels, and it touches different legal dimensions such as data protection, taxation and intellectual property, among others. At the multilateral level, key issues under negotiation include e-signatures, (free) flow of data across borders, source code disclosure and the destiny of the moratorium on e-commerce customs duties (Thorstensen and Delich 2021: 234) and the main discussions at this level are in charge of the World Trade Organization (WTO). While at the regional level, the regional trade agreements (RTAs) had gained a renewed relevance by appearing as an alternative to the non-existing multilateral regulation on the matter. More recently, however, a more suitable option to cover the regulatory shortcomings in question has emerged in the form of a new type of trade treaties called "Digital Economy Agreement (DEAs)" which, unlike any other, is exclusively aimed at digital commerce.

### **1.5 International Digital Trade Regulations: WTO, RTAs and DEAs**

Although technological advances have favored the rise of digital trade, it has come with a lack of clear and defined standards. So, while digitization can be a powerful tool, in the absence of adequate regulations, it can also widen the digital divide between countries that are more technologically developed and those that are not. Therefore, "coordinating policies at the international level to promote digitalization for all is fundamental. But traditional international co-operation has not met expectations" (OECD et al. 2020: 244). In part this has been caused by the discrepancy in the particular national interests of each country and by the technological competition that has been generated.

As a result, policy and regulatory frictions limit the cross-border flows of digital goods, services and data, and the potential gains of digitalization for trade and growth are not automatically translated to developing economies. Nonetheless, they are suffering the consequences of such a lack of regulations. Currently, digital trade has been seen as of particular concern for developed and large economies, but developing economies, like Chile and Mexico, are increasingly affected and active in this domain. As such, there is a need for clear digital trade provisions in trade agreements to create certainty through new rules (López, Condon and Muñoz 2021: 216). Faced with this need, the WTO claims to be the international trade regulator par excellence as it was in the last century. But the international reality has changed drastically since it was founded in 1995 and even more so since its predecessor, the General Agreement on Tariffs and Trade (GATT), was established in 1947.

### 1.5.1 The WTO and the global digital trade regulations

Nowadays, there is a lack of clearly defined global rules for digital trade, meaning that there is no coherent set of guidelines for countries to ensure its free flow internationally. Given that digital trade has appeared in an open WTO new era –highly modified by the exacerbated digitalization of the economy caused by the COVID-19 pandemic–, direct trade restrictions on the matter have not yet evolved, so there is little need to liberalize trade in the traditional sense. Rather, the focus is on preventing countries from adapting non-digital trade protection measures in this new area, as well as facilitating the growth of digital trade (López, Condon and Muñoz 2021: 216). Such a focus has not emerged from scratch, but has only been emphasized in recent years, putting under the spotlight the pending negotiations within the WTO that have been seeking for more than two decades to regulate the effects of the Internet and the technological advances on trade mentioned above.

In the Uruguay Round (1986-1994) it was already predated the rise of e-commerce, and, since then, no real progress has been made to update the rules although there are other multilateral instruments in addition to those of the WTO, such as the Model Law on Electronic Commerce (LMCE) developed by the United Nations Commission on International Trade Law (UNCITRAL) from 1996 and the Copyright Treaty and the Performances and Phonograms Treaty, both of 1996, together referred to as the WIPO "Internet treaties" that were negotiated within the World Intellectual Property Organization (WIPO) (Herrerros 2019: 22). The need for electronic commerce, however, continued to be present in the multilateral agenda and was included in the second WTO Ministerial Conference (Geneva, May 1998). During this event, it was agreed to establish a work program on the matter, recognizing its growing importance. Then, in September of the same year, the General Council adopted the Work Program on Electronic Commerce to examine trade-related issues relating to global e-commerce (WTO n.d.).

However, there was a general perception that it had made no substantive progress and multilateral efforts had stalled, although the group was not mandated to create a set of rules. The failure of the WTO has been also related to the condition of its agreements<sup>1</sup> as "technology neutral", whose provisions apply regardless of the medium through which the goods or services are traded (Herrerros 2019: 217). As a result, a greater sense of urgency to examine the adequacy of the WTO agreements has emerged. But despite more than twenty years of work, this has not resulted in the negotiation of new agreements or the introduction of amendments to existing

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<sup>1</sup> The WTO administers a set of multilateral agreements covering different aspects of trade in goods and services. The most relevant to electronic commerce are:

- the General Agreement on Tariffs and Trade (GATT)
- the General Agreement on Trade in Services (GATS)
- the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), and more recently,
- the Agreement on Trade Facilitation, which entered into force in February 2017.
- Another relevant instrument -of a plurilateral nature- is the Information Technology Agreement (ITA), concluded in 1996, whereby to date 82 WTO members have committed not to apply customs tariffs to products in the ICT sector. In particular, the services commitments made by countries under the GATS are based on a taxonomy of "modes of supply" that has become increasingly obsolete as a result of the digital revolution. (Herrerros 2019: 19)

ones. To date, the most concrete result achieved in the WTO in the area of e-commerce has been the agreement of its members to impose a moratorium on the application of customs duties to electronic transmissions. From this, it is concluded that the current WTO agreements fail to capture the specificities of the new disruptive business models that have emerged with large digital platforms and other innovations such as artificial intelligence, additive manufacturing and the Internet of Things (IoT) (*Ibidem*: 20-21). Therefore, the main challenge facing the WTO today is to find the balance between the demands of all its members, while respecting the different approaches that countries have in addressing both digital trade –including cross-border e-commerce– and issues adjacent to it, such as cybersecurity and personal data privacy.

With the multilateral trade regime impasse, associated with the failure of the WTO to develop clear rules for e-commerce, and so for digital trade, more complex regional and bilateral agreements have emerged where new norms are being proposed and experimented with (López, Condon and Muñoz 2021: 216). In this regard, the regional trade agreements (RTAs) have become highly relevant, not only for regional economic integration processes, but also for the establishment of international standards and national policies on digital trade.

### 1.5.2 Regional Trade Agreements (RTAs)

As a consequence of the lack of rules at the multilateral level, regional trade agreements (RTAs) containing specific provisions on e-commerce have proliferated. Herreros (2019) argues that these agreements have been used by major e-commerce players as "laboratories" to generate new rules on the subject. But being developed by different groups, they are very diverse in their breadth and depth, and reflect the different interests of the main players in the digital economy not only on the most appropriate way to regulate e-commerce, but also on the international regulation of the Internet in general.

For their part, López, Condon and Muñoz (2021) point out that for economies to benefit from the changes brought about by the digital economy, it is necessary to establish transparent rules, freedom of innovation, a level playing field and interoperability between economies. Thus, when RTAs are combined with regional integration schemes, such as the Pacific Alliance (PA) and the APEC forum, they can facilitate intra-regional trade and support the creation of large integrated digital markets. Also, they can take advantage of the benefits of the digital transformation of the economy on the one hand, and respond to the particular needs of the region on the other, since it has become clear that standardization of regulations on a global scale is extremely difficult, if not impossible, as the universe of potential barriers to e-commerce is very broad (see Table 3).

**Table 3. Taxonomy of barriers to e-commerce**

Type of barrier	Examples
Frictions in the enabling environment for e-commerce.	Blocking or censorship of Internet sites. Restrictions on cloud computing services, online shopping or online advertising. Non-application of the principle of net neutrality. Application of old regulatory regimes to new business models (e.g.,

	telecommunications regulation to "over the top" services).
Technical restrictions	Lack of a "safe harbor" policy for ISPs with respect to content uploaded by their users. Burdensome certification and testing requirements for ICT equipment. Burdensome electronic signature, cybersecurity or encryption requirements.
Technology-related restrictions	Requirements to disclose or transfer patents, source codes, algorithms or trade secrets in order to operate in a market.
Data localization requirements	Requirements to store certain data on local servers and/or to develop local infrastructure for that purpose. Prohibition of transferring data abroad.
Intellectual property rights	Insufficient protection of copyrights and related rights, patents, trade secrets in the digital environment. Circumvention of technological protection measures.
Restrictions on establishment	Requirement of prior approval (screening) of foreign investments in the digital sector. Domestic content requirements. Requirement to form joint ventures with local partners
Tax restrictions	Tariffs and trade defense measures (e.g. anti-dumping duties) applied to ICT products. Tariffs on electronic transmissions. Tax discrimination against digital products and online services.
State-owned companies and public procurement	Limits on the participation of foreign companies in public procurement of telecommunications equipment, ICT. Preference to national suppliers, including state-owned companies. National content requirements for access to public procurement.

Source: Herreros 2019, p. 16.

Based on this table, a distinction can be made between two groups of transactions, those relating to barriers to physical trade in goods facilitated by digital means and those that hinder trade in digitally transmitted goods and services:

*(1) In the first case, the barriers are essentially the same as those that exist for traditional trade in goods, such as the payment of tariffs and other import charges, the costs (monetary and time) associated with border procedures and the obligation to comply with the standards of the importing country (safety, environmental, sanitary, etc.); (2) As for the measures that are usually identified as barriers to digital trade, it should be noted that the rationale for many of them is not commercial, but rather to achieve various public policy objectives (protection of privacy, defense of free competition, tax fairness, national security, etc.) (Herreros 2019: 15-18).*

In addition to these barriers, there is the increasing protectionism that could lead to missed trade opportunities, especially for small and medium-sized enterprises (SMEs). Fragmented rules have also led to varying restrictions for personal data transfer and increased compliance costs (Ministry of Trade and Industry Singapore 2022). In order to face all these challenges, together with the fragmentation of digital trade regulation, new alternatives have been sought to respond to the changing international context that will not turn back the clock on digitalization. Thus, as an alternative even to RTAs, Digital Economy Agreements (DEAs) have been created.

### 1.5.3 Digital Economy Agreements

The World Economic Forum (WEF 2022) defines the recent developed Digital Economy Agreements (DEAs) as "comprehensive 'digital-only' agreements that establish trade rules and facilitate interoperability between two or more digital economies." The particular characteristic that sets these agreements apart from others is that, unlike traditional trade agreements which include chapters on e-commerce and typically focus more on market access, DEAs encourage domestic regulatory reforms and "soft" cross-border collaboration on issues as wide-ranging as data innovation, digital identities, cybersecurity, consumer protection and digital inclusion. Therefore, they have already pushed the boundaries of traditional trade agreements, and more governments are eager to join this new frontier (World Economic Forum 2022).

While the DEAs aim to build on countries' extensive network of free trade agreements and other digital cooperation initiatives, it should be clear that the goal is not just to sign more trade agreements or DEAs, but to advance global trade and inclusive economic growth in the digital age. Signing this kind of agreement with their key partners, countries hope to develop international frameworks and rules for digital trade to foster interoperability of standards to lower the cost of operations, increase business efficiency and create more seamless and easier access to overseas markets (Ministry of Trade and Industry Singapore 2022). In this regard, as more cross-border trade is now digital in nature –a trend that is likely to continue in the future. (Bekkers, Koopman, Sabbadini and Teh 2021: 38)–, it is to be expected that DEAs become the future of free trade agreements and their number increases, as it is very limited so far.<sup>2</sup>

In the meantime, Existing projects at the regional level are looking for ways to fill the gap left by the multilateral trading system. Such is the case of the Pacific Alliance, whose most recent effort to establish a regional digital market has brought the Latin American region a glimmer of hope to fully embrace the new era of digitization, particularly in the commercial sphere.

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<sup>2</sup> As of 2022, there are only two agreements of this nature. The first was the Digital Economy Partnership Agreement (DEPA) between Chile, New Zealand and Singapore, which was also the first to be signed electronically in June 2020 (See: <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/digital-economy-partnership-agreement-depa/>). Followed by the UK-Singapore Digital Economy Agreement, or UKSDEA in force as of June 2022 (See: <https://www.gov.uk/government/publications/uk-singapore-digital-economy-agreement-explainer/uk-singapore-digital-economy-agreement-final-agreement-explainer>). By its side, the Association of Southeast Asian Nations (ASEAN) is considering its own regional digital economy agreement, or Digital Economy Framework Agreement (DEFA), as laid out in its Bandar Seri Begawan Roadmap on ASEAN's Digital Transformation Agenda (World Economic Forum 2022).

## Part 2. The Pacific Alliance and the Latin American Regional Digital Market (RDM)

Regional integration –with a notorious emphasis on trade and market– has been present in the development agenda of Latin America and the Caribbean for a long time. Since the Asia-Pacific region has been considered the most promising of the 21st century, a particular bloc was created to approach it: the Pacific Alliance (PA). Composed of Chile, Colombia, Mexico and Peru, the PA was “officially established on April 28th, 2011, through the Framework Agreement, which entered into force in July 2015. The Pacific Alliance is the 8th economic power and the 8th export force worldwide. In LAC, this block represents 38% of the GDP, 50% of the total trade and attracts 45% of the Foreign Direct Investment. The four countries have a population of 225 million persons and have an average per capita GDP of USD 18,000” (The Pacific Alliance n.d.).

In brief, the three main goals of the Alliance are (1) building an area of deep integration to progressively move towards the free circulation of goods, services, capital and people; (2) promoting greater growth, development and competitiveness of the economies of the Parties; and (3) becoming a platform for political articulation, economic and commercial integration, and projection to the world, with special emphasis on Asia Pacific (*Idem*). Particularly with respect to the latter objective, the bloc has sought to work with countries that voluntarily identify areas of shared interest for the development of cooperation projects. These are known as "Observer States", which increased from 49 in 2016 to 61 in 2022.<sup>3</sup> With the same objective, the alliance has held meetings with related organizations, such as the Common Market of the South (Mercosur) and the Association of Southeast Asian Nations (ANSEA).

In a more formal category are the “Associated States”, which to date are limited to one. On January 26, 2022, within the framework of the XVI Summit of the Pacific Alliance, the Free Trade Agreement (FTA) between Singapore and the Pacific Alliance was signed, which once entered into force will make this country the first Associated State of the Alliance. Other negotiations are ongoing with three potential candidates: Australia, Canada and New Zealand. The next candidate with whom negotiations will begin is South Korea. By its side, Ecuador requested to initiate negotiations to acquire this same category, but its admission could take place in the category of Member Country (Colombian Ministry of Foreign Affairs 2022). While the alliance describes itself as an open and inclusive integration process, made up of countries with similar views on development, the truth is that...

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<sup>3</sup> America (14): Argentina, Canada, Costa Rica, Ecuador, El Salvador, United States, Guatemala, Haiti, Honduras, Panama, Paraguay, Dominican Republic, Trinidad and Tobago, and Uruguay.

Africa (2): Egypt and Morocco.

Asia (12): China, Korea (South), United Arab Emirates, India, Indonesia, Israel, Japan, Kazakhstan, Pakistan, Philippines, Singapore and Thailand.

Oceania (2): Australia and New Zealand

Europe (31): Germany, Armenia, Austria, Belgium, Azerbaijan, Belarus, Croatia, Denmark, Slovakia, Slovenia, Spain, Finland, France, Georgia, Greece, Hungary, Ireland, Italy, Lithuania, Norway, the Netherlands, Poland, Portugal, the United Kingdom, the Czech Republic, Romania, Serbia, Sweden, Switzerland, Turkey and the Ukraine. See: Colombian Ministry of Foreign Affairs. (2022). *The Pacific Alliance*. Government of Colombia. Accessed on September 5, 2022. Retrieved from: <https://www.cancilleria.gov.co/international/consensus/pacific-alliance>.

*... its members are not natural trade partners. On the one hand, the exports of Chile, Colombia and Peru are dominated by raw materials: copper and other minerals and metals in the case of Chile and Peru, oil and coal in Colombia's case. The prevalence of this type of export basket limits the options of expanding trade among the three countries. Moreover, the PA is not a contiguous economic area. Mexico, the largest and more diversified member of the group, is geographically remote from its three South American partners. Its foreign trade is also strongly oriented towards the United States. As a result, Mexico addresses only 2% of its exports of goods to the PA, and less than 1% of its imports originate therefrom (Durán Lima and Cracau 2016: 11).*

To address these circumstances, the member countries signed the PA trade agreement called “Additional Protocol to the Framework Agreement” to build the free trade area envisaged in the Framework Agreement.

## **2.1 Digital Trade Regulation in The Pacific Alliance**

The Additional Protocol to the Framework Agreement (PAAP) is a mechanism for economic and commercial integration that was signed on February 10, 2014 and entered into force on May 1, 2016, to update and complement bilateral commitments, harmonized bilateral provisions, and establish common standards for the four countries, particularly in trade disciplines (Undersecretariat of International Economic Relations of Chile n.d.). It also aims to insert the members into regional and global value chains through a free flow of inputs among the four countries<sup>4</sup> (SICE 2022). To achieve these objectives, the PAAP is based on four pillars: (1) free movement of goods, (2) services, (3) capital and people and (4) a transversal axis of cooperation (Colombian Ministry of Foreign Affairs 2022). It has 19 chapters including one on telecommunications and another on electronic commerce, what marks an important step towards the regional integration efforts to boost digital trade.<sup>5</sup>

Chapter 13 on e-commerce is composed of 14 sections and it is applicable to measures affecting electronic transactions of goods and services, including digital products transmitted electronically. Its main objectives are: self-regulation, interoperability, innovation and competence, policies applicable to all users, micro and medium sized enterprises, data security, and barriers to e-commerce (Baker and McKenzie 2017: 46-45). The chapter has been amended twice (by the First and Second Amending Protocol to the Additional Protocol to the Pacific Alliance Framework Agreement, both in force from April 1, 2020 together with the Second

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<sup>4</sup> The Agreement allows 92% of the products to be exchanged between the member countries of the Pacific Alliance without paying tariffs, while the remaining 8% will do so in the short and medium term. The goal is that by 2030 all products will circulate freely among the four countries. See: [http://www.sice.oas.org/tpd/pacific\\_alliance/Pacific\\_Alliance\\_e.asp](http://www.sice.oas.org/tpd/pacific_alliance/Pacific_Alliance_e.asp)

<sup>5</sup> The PAAP prohibits the imposition of customs duties on digital trade, but permits internal taxes and other charges, as well as mandating the adoption of measures to protect against unsolicited electronic commercial messages and requiring a simple commitment of the parties to consider negotiating a cross-border flow of information. Interestingly, the PAAP is one of the very few RTAs to incorporate specific provisions on the use and location of computing facilities. The agreement also promotes interoperability among the regulatory frameworks of the member countries, promotes the inclusion of small and medium-size enterprises (SMEs) in digital trade, and is working with the objective to generate a regional digital market, cybersecurity and common public-private dialogues. See: [https://www.wto.org/english/res\\_e/booksp\\_e/adtera\\_e.pdf](https://www.wto.org/english/res_e/booksp_e/adtera_e.pdf).

Amending Protocol<sup>6</sup>) and its main changes were in the following articles: (i) 13.1 (Definitions), (ii) 13.2 (Scope and Coverage), and (iii) 13.6 (Consumer Protection). Also, article 13.11 (Cross-Border Flow of Information) was replaced by article 13.11 (Cross-Border Transfer of Information by Electronic Means). Articles 13.4 *bis* (Non-Discrimination of Digital Products) and 13.11 *bis* (Use and Location of Computer Facilities) were added.

With respect to the RTAs mentioned above, it should be noted that “the PA agreements regarding digital trade found in the PAAP most closely match the provisions found in the CPTPP when compared to other Latin America intraregional or extra-regional RTAs” (López, Condon and Muñoz 2021: 220). Such similarity is not surprising as three PA members (Chile, Mexico and Peru) are also signatories to the CPTPP, which was established under the US model that promotes private sector self-regulation through different instruments. Also relevant is the fact that Australia, Canada, New Zealand and Singapore are associate members of the PA, as well as States that participated in the negotiations of the original TPP. Due to this participation in TPP negotiations, and its high standards in digital trade, this agreement’s text is used as a benchmark for the PAAP (Observatorio Estratégico de la Alianza del Pacífico, 2017).

Thus, provisions related to customs duties, consumer protection, personal data protection, paperless commerce, spam and cooperation with SMEs are consistent between the PAAP and the CPTPP (*Idem*). With respect to protection of personal information, the PAAP provides for several actions to ensure consumer protection, such as the conclusion of cooperation agreements, training initiatives and the standardization of information to be provided to e-commerce consumers in the different PA countries. It is also established that the parties will evaluate alternative dispute resolution mechanisms related to consumer protection in cross-border e-commerce (Herrerros 2019: 32). Despite the similarity and the fact that the PAAP replicates two thirds of the standards of the CPTPP,

*the PAAP does not include core issues such as a suitable domestic legal framework, guaranteeing freedom of internet access, and avoiding measures that could increase transaction costs (localization of data servers, source codes). It also leaves out cooperation around cybersecurity, a key factor in building the confidence needed for consumers and companies to get involved in online transactions. Moreover, it has no intellectual property chapters, and it lacks norms on internet service provider liability. Neither does it include TPP-style provisions for interoperability, meaning that it does not go as far as the TPP and its successor, but further than the current RTA between the PA members and with the European Union and the United States. Also missing is a dispute settlement mechanism. In general terms, the PAAP develops the topics found in the TPP and CPTPP in less depth (López, Condon and Muñoz 2021: 221).*

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<sup>6</sup> The trade agreement was updated with the First and Second Amending Protocol of the Pacific Alliance, both in force since April 1, 2020, adding an annex to the chapter on technical barriers to trade (chapter 7) on cosmetics, a chapter on regulatory improvement (chapter 15 bis), amendments to the chapters on electronic commerce (chapter 13) and telecommunications (chapter 14) and expansion of the functions of the Free Trade Commission to adopt the annexes to the chapter on Technical Barriers of the Additional Protocol to the Framework Agreement. (Undersecretariat of International Economic Relations of Chile n.d.). (SICE 2022 and The Pacific Alliance n.d)

This is relevant because one of the main challenges of the PA is the generation of opportunities to take advantage of the digital transformation as an instrument for economic reactivation and it cannot be achieved without the coverage of all areas involved in it. In this vein, there is wide consensus in the region on the need to foster digital integration. Several integration blocks are already designing their digital integration strategies, to support regulatory harmonization and interoperability, e.g. the Mesoamerican Digital Agenda, the Caribbean Community (CARICOM) and the Southern Common Market (MERCOSUR). In particular, the Pacific Alliance has proposed the design of a regional digital market strategy that would create the conditions for greater market scale, better coordination of resources and lower transaction costs (ECLAC 2021: 85-86). All these initiatives arise within the framework of the Economic Commission for Latin America and the Caribbean (ECLAC) proposal to establish a regional digital market (RDM).

### **2.1.1 The Digital Agenda for Latin America and the Caribbean (eLAC)**

The Digital Agenda for Latin America and the Caribbean (eLAC) is the long-term action plan implemented by the ECLAC Technical Secretariat since 2005, in which member countries seek regional cooperation to continue advancing inclusion, the digitalization of production, the development of digital skills in the population, as well as to promote open government and the protection of personal data (Government of Mexico 2018). It also aims to be a catalytic instrument for the coordination of regional cooperation efforts on digital issues (ECLAC 2018: 4). Since its inception, this mechanism has made it possible to forge a regional vision of the role of digital technologies in development (ECLAC 2021a: 48). Thus, it is crucial to identify the seven phases of its evolution:

- (1) The year 2022 marked 17 years since the adoption of the Plan of Action for the Information Society in Latin America and the Caribbean (eLAC2007) in Rio de Janeiro, Brazil, in June 2005. This cooperation mechanism has been renewed over the years.*
- (2) the Plan of Action eLAC2010, was approved in in 2008 in San Salvador;*
- (3) the eLAC2015 Plan of Action, in 2010 in Lima;*
- (4) the 2013-2015 Work Plan for the Implementation of the Plan of Action eLAC2015, in 2013 in Montevideo;*
- (5) At the Fifth Ministerial Conference on the Information Society in Latin America and the Caribbean in 2015 in Mexico City, such a Plan of Action evolved into the Digital Agenda for Latin America and the Caribbean (eLAC 2018);*
- (6) the digital agenda for Latin America and the Caribbean (eLAC 2020) was agreed in 2017 in Santiago;*
- (7) The last update took place during the Seventh Ministerial Conference in November 2020 (virtual) where the Digital Agenda for Latin America and the Caribbean (eLAC 2022) was adopted. (ECLAC 2018)*

Although all these versions were based on the same objectives mentioned above, each of them has sought to respond to the accelerated digital transformation. Thus, the regional digital market proposal did not emerge until a few years ago. The first sign of an interest in developing such a project can be found in the eLAC2018 that looked for "coordinating participation in

Internet governance, strengthening capacities, reinforcing regional mechanisms and promoting synergies among Latin American and Caribbean countries" (ECLAC 2015: 6). Subsequently, the eLAC2020 and the eLAC2022 introduced specific goals related to establishing a regional digital market in the region (see Table 4).

**Table 4. The digital agenda for Latin America and the Caribbean**

eLAC2020	eLAC 2022
<p><b>Area of action: 3. Regional digital market</b>  <b>Goal 8:</b> <u>Promote a regional digital market strategy</u> to increase trade, expand the digital economy and strengthen the competitiveness of Latin America and the Caribbean, through incentives, regulatory coherence, integration of digital infrastructure, the development of digital platforms of goods, services and content, and cross-border data flows.</p> <p><b>Goal 9:</b> Foster measures for regional trade facilitation through the use of digital technologies, institutional coordination and interoperability among different national foreign trade systems. (eCLAC 2018: 5)</p>	<p><b>Area of action: 7. Regional digital market</b>  <b>Goal 27:</b> <u>Promote a regional digital market strategy, including in the framework of regional and sub-regional integration mechanisms</u>, that facilitates cross-border e-commerce and digital trade through integration of digital infrastructure, regulatory harmonization, free flow of data with trust, <b>in accordance with domestic legislation</b>; trade facilitation; improved postal and logistics services; and regulatory frameworks that encourage innovation in digital payment services.</p> <p><b>Goal 28:</b> <b>Facilitate greater regional coordination through a digital integration plan that establishes a common vision and goals, with mechanisms for dialogue and coordination with existing regional and subregional organizations.</b> (eCLAC 2020:7)</p>

Source: Author's rendering with data from eCLAC 2018 and 2020.

As can be observed, both agendas establish the goal to promote a regional digital market strategy but only the eLAC 2022 Digital Agenda for Latin America and the Caribbean, developed in the context of the sanitary crisis, specifies that such strategy should be at the heart of a regional and sub-regional integration mechanisms, e.g. the Pacific Alliance. Also, "the eLAC 2022 and its agreement to promote a regional digital market offers a mechanism to improve the design and application of digital policies in the region and drive regional cooperation efforts to support the digital transformation" (ECLAC 2021: 6). Moreover, it emphasizes the need for regional coordination and digital integration in the region, taking into consideration domestic legislations to facilitate cross-border e-commerce and digital trade. In this regard, the differentiation between both concepts should be highlighted since it reinforces the principle of this work, which considers such concepts as complementary.

As there is consensus on the need to work on the harmonization of regulatory environments to promote the digital economy, on the basis of the agreements adopted at the Ministerial Conferences on the Information Society in Latin America and the Caribbean held in 2015 and 2018, and with the support of ECLAC, LAC countries initiated a debate on the opportunity presented by the creation of a regional digital market (ECLAC 2021: 84). But as mentioned before, the strategy has been developed by different regional blocks in the frame of RTAs. Nowadays, in the (post) COVID-19 crisis context, the regional digital market has been presented as an opportunity for the region's economic recovery, and so the Pacific Alliance's proposal has gained increased attention.

According to ECLAC, the implementation of a digital market strategy among PA countries could increase the annual impact of digitalization on GDP from US\$ 9.62 billion to US\$ 13.886 billion, considering only the spillovers from the creation of this market. Thus, the proposed digital market strategy would allow a larger market scale, better co-ordination of resources and fewer transaction costs, facilitating the creation of digital productive capabilities to compete on a global scale. The regional digital market could also be an instrument for the coordination of technological research and development and innovation resources (ECLAC 2021: 85). Aware of such promising benefits, the members of the Pacific Alliance have set to work to bring the regional digital market to reality, thereby seeking to position themselves at the forefront of digital transformation in Latin America and the Caribbean.

### **2.1.2 The Roadmap for the Regional Digital Market (RDM)**

Much has been said about the regional digital market (RDM), but to fully understand its relevance and benefits for the Latin American region, it is necessary to define it. In this regard, an RDM can be understood as...

*...a harmonized economic space in which there are no internal barriers to the exchange of digital goods and services, or physical goods acquired electronically. Such a market should not only promote cross-border trade among its member countries, but also encourage investment and development in digital services, applications and innovations. It is not only a matter of removing internal barriers, but also of encouraging the use and exploitation of digital technologies, which requires entrepreneurs and users with a high level of digital skills and who have the necessary means and confidence to take advantage of them.*

*The Pacific Alliance's RDM has been defined as one that seeks to enable the free flow of digital products, goods and services traded over the Internet and capital linked to the digital market among the member countries (Calderón et al. 2021: 13-19).*

To materialize this project, the PA requested support from the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) already in 2016 “to identify and analyze those elements that inhibit the digital integration of PA countries and propose a set of measures related to the deployment of high-speed infrastructure and the development of the digital economy” (Calderón et al. 2021: 12). In that year, during the XI Presidential Summit in Chile (July 2016), the subgroup on the Digital Agenda (SGAD) was created with the objectives of implementing, developing and deepening specific topics included in the chapters of telecommunications and electronic commerce. Subsequently, in the first meeting of the SGAD in December 2016, the roadmap for the Pacific Alliance Regional Digital Market was adopted (ECLAC, CAF and GIZ 2018: 42).

According to the diagnosis prepared by ECLAC in the document entitled *Hacia una estrategia de mercado digital regional en la Alianza del Pacífico* (Towards a regional digital market strategy in the Pacific Alliance)<sup>7</sup>, three pillars were identified as priorities for the Roadmap:

***Pillar 1: Improving Access to Connectivity.*** *The objective of this pillar is to improve access to digital services and products, through a more robust digital infrastructure in the Pacific Alliance, which implies: accelerating the development and adoption of high-speed networks, improving regional interconnection, harmonizing roaming and deploying new protocols that allow the connection of more devices.*

***Pillar 2: Creating an Enabling Environment for Promoting the Exchange of Digital Goods and Services.*** *The objective of this pillar is to create an enabling environment to promote the exchange of goods, products and services through digital means in the Pacific Alliance, aimed at: reducing barriers to e-commerce, improving technical and legal interoperability, promoting online trust, privacy, data protection and cybersecurity, as well as analyzing the importance of intellectual property and trade facilitation in the digital environment.*

***Pillar 3: Developing a Digital Economy that Promotes Growth, Productivity and Employment.*** *The objective of this pillar is to promote the digital economy in the Pacific Alliance to generate new sources of growth and productivity, which involves: identifying gaps in entrepreneurship, promoting e-commerce, encouraging industry in the use of new technologies, and generating digital skills (Pacific Alliance 2021 and Pacific Alliance Digital Economy Subcommittee 2021: 1).*

Moreover, the Roadmap establishes the objective of "moving towards the creation of a regional digital market that allows taking advantage of economies of scale and network to compete in a world of global platforms" (Calderón et al. 2021: 18). But it was until four years later, in the XV Presidential Summit of the Alliance in Santiago, Chile on December 11, 2020, that the presidential mandate to develop and implement such a roadmap was established with three main goals: (1) to improve access to digital services and products through a more robust digital infrastructure, (2) creating an enabling environment to promote the exchange of goods, products and services through digital means and (3) boosting the digital economy in the PA countries to generate new sources of growth and productivity" (Pacific Alliance Digital Economy Subcommittee 2021: 1). It also defines a series of actions that, in accordance with the domestic regulatory framework of each country, will allow joint and collaborative progress in the development of the RDM.

### **2.1.3 The Relevance of the Pacific Alliance RDM**

Based on the information provided so far, it is possible to identify the evolution and objectives of the Regional Digital Market project, starting from the Digital Agenda initiative promoted by ECLAC. And observing the continuity of the bloc's efforts to materialize the RDM, there is no doubt that there exists considerable hope in it, as it seems to be a very promising proposal for

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<sup>7</sup> See: <https://www.cepal.org/es/publicaciones/47354-estrategia-mercado-digital-regional-la-alianza-pacifico>

a region whose digital regulatory frameworks and regional and sub-regional co-operation efforts are often not harmonized.

The RDM could advance development by helping countries enhance communication infrastructure and expand trade, severely affected by the sanitary crisis. It can also help to promote LAC's voice on international platforms, allowing it to participate on an equal footing (OECD et al. 2020: 41) in the negotiations for new global rules in the field of digital trade that are currently on the table of different multilateral fora, particularly the WTO.

*It could also facilitate the coordination of resources and factors of production, through the aggregation of technological research and development and innovation resources to create a critical mass capable of competing internationally. The creation of an integrated digital market also opens up opportunities for the reduction of non-tariff transaction costs. In this regard, the telecommunications infrastructure plays a crucial role, as it is a cross-cutting component that operates as a necessary condition for the development of an RDM.*

*In short, the creation of an RDM reduces costs, not only by eliminating tariffs, taxes and customs duties, but also by reducing bureaucratic burdens and harmonizing regulations, which avoids duplication, facilitates operations and promotes consumer confidence. Digitalization is also key to reducing transaction costs, for example, through the management of online procedures, as well as other processes that facilitate the exchange of goods and services, and reduce logistics costs and delivery prices, while maintaining the same rights and obligations. (Calderón et al. 2021: 12-17).*

Moreover, the RDM could insert the PA members into regional and global value chains through a free flow of inputs among the four countries, increase the quality of goods and services, and thus export more competitive products to international markets (SICE 2022), particularly the Asian one where the Alliance has a primary interest.

## **2.2 The Pacific Alliance and the Asian Pacific Region in the Digital Era**

While other regional groupings in Latin America and the Caribbean have sought to strengthen their intra-regional relations rather than their extra-regional relations (Durán Lima and Cracau 2016: 41), the Pacific Alliance was formed with the explicit purpose of establishing closer relations with the Asia-Pacific region. The goal is doing it not only individually but also as a block, since in the years prior to the establishment of the Alliance its four members had already begun to engage independently with their Asian peers. On the one hand, Chile and Peru signed agreements with China, Singapore, and the Republic of Korea; Chile and Mexico negotiated free trade agreements (FTAs) with Japan, and Colombia and Mexico signed one with the Republic of Korea. On the other hand, Chile, Mexico, and Peru are members of APEC and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP formerly TPP). Colombia is not a member of APEC or the TPP, but has tried to become a member of APEC since 1995 and formally expressed interest in joining the TPP (and subsequently the CPTPP) (ECLAC, CAF and GIZ 2018: 42).

In this regard, the ASEAN-Pacific Alliance Framework for Cooperation<sup>8</sup> is a good example of the trans-regional scope of the PA, which should be enhanced. But although the Alliance has made significant progress in trade integration, business facilitation, and coordinated diplomatic approaches that could contribute to the progress its relations with Asian countries (*Idem*), it must clearly define how to fulfill one of its driving forces to serve as a bridge between Asian and Latin American countries on both sides of the Pacific. Even when the ties with Asia-Pacific are the most outstanding particularity of the bloc, there is no concrete and joint approach to strengthen its economic relations with this particular region as part of its trade strategy (Durán Lima and Cracau 2016: 41) This lack of strategic clarity is further complicated in the current context of the accelerating digital transformation of the global economy, and while digital business ties could help achieve the above objectives, they could also be a factor impeding their fulfillment.

However, the relevance that this project has gained in recent years cannot be denied. Today, the Pacific Alliance is in an unusual situation. First, the number of observers (61) is more than ten times that of its full members. Second, for the vast majority of observers, admission as full members is not a realistic prospect, either because they belong to other regions, other integration mechanisms, or a combination of these and other reasons. This raises the question as to what kind of agenda of mutual interest the bloc can offer to observers, particularly to Asian ones (Durán Lima and Cracau 2016: 42). The Pacific Alliance has proposed a regional digital market that will enhance its trade dynamics among members, but also between them as a bloc and Asian countries. However, the interregional diversity is of crucial importance for the Alliance's objectives, since China is now the central axis of the Asian region.

The Asian giant enjoys good relations with most Latin American countries, and to a greater or lesser extent with PA members, but in a world where there are no global standards to regulate digital trade and where there is growing commercial and technological competition among the major economic powers, including China, it is questioned how the PA's relationship with China could undermine or enhance the regional digital market that could well open the way for the region in the digital era.

### **Part 3. Trading with China in the Digital Era**

China's e-commerce market is the world's largest and it continues to lead the global digital trade with over \$2 trillion sales in 2022 (GlobalData 2022). This tendency appears to be an

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<sup>8</sup> In May 2017, the Pacific Alliance and the Association of the Southeast Asian Nations (ASEAN) renewed their commitment to strengthen cooperation between them at the 3rd meeting of the Committee of Permanent Representatives of ASEAN and the Alliance's Foreign Relations Group of the Pacific held in the ASEAN Secretariat. The parties reiterated the importance of deepening participation through the implementation of the ASEAN-Pacific Alliance Framework for Cooperation, approved at the 3rd Ministerial Meeting of the ASEAN-Pacific Alliance, held in New York in September 2016. The cooperation framework prioritizes four areas: economic cooperation; education and people engagement; science, technology and innovation; and sustainable development (ECLAC, CAF and GIZ 2018: 42).

extension of the unprecedented rapid economic growth of the Asian giant in the past decades. And since “there is not a single socioeconomic issue on which China has not had a significant impact” (Gallagher and Dussel Peters 2013: 13), its leadership has been accompanied by the tensions with other actors that also want to lead in the field. China is competing with the United States for leadership of the digital economy, taking advantage of its huge domestic market and the high volume of data it generates. To this end, it is deploying an active industrial policy to promote national "digital champions" who, once they reach sufficient scale, can challenge their US competitors for global primacy (Herrerros 2019: 24-38). In these circumstances, China continues to be perceived as a threat.

Nonetheless, the selectivity with which it has approached the international trade system makes available many of the benefits of its membership in the World Trade Organization (WTO) without forcing change internally, and without, in turn, effecting change on the international system (Stevenson-Yang 2013: 137), at least not officially. In practice, China’s dynamism exhibited for over four decades, the sheer size of its economy, its heightened competitiveness and its increased presence in world markets –including now the global digital market– is having a major impact on both developed and developing countries (Jenkins and Dussel Peters 2009: 6). In this regard, Chinese foodmark is increasing with a particular emphasis on Latin American countries.

Beijing’s accession to the WTO in 2001 meant a significant increase in competition in developed country markets and their zones of influence, such as it is the case of the United States (US) and Latin America and the Caribbean (LAC). A number of different channels through which China’s growth affects other countries can be identified, particularly those that arise from the growth of bilateral economic relations including: the growing significance of China as a market for Latin American exports, the increased penetration of the Latin American market by Chinese goods and the growth of bilateral FDI between China and the region (Jenkins 2009: 26). Since the high value parts of global value chains are being located in China, the spread of electronic commerce (e-commerce) in the region has expanded these channels.

In recent years, Beijing has accounted for a significant and increasing share of world demand for a number of the major commodities exported from Latin America (Jenkins 2009: 53). But in LAC, where there have been no attempts to utilize industrial policies since the neo-liberal reforms of the 1980s and early 1990s (Jenkins 2009: 53-60), there is still a significant digital divide (Observatorio de la Alianza del Pacífico 2017: 5). The strategic opportunity for Beijing arising from its pursuit of digital sectors and technologies in Latin America (as elsewhere) is based on a reinforcing dynamic in which Chinese dominance in applied technologies (eg. solutions for companies such as Huawei in 5G) allows it to play a leading role in setting standards. Setting standards for digital trade, in turn, helps China to lock in competitive advantages in associated sectors and shut out the competition (Ellis 2022). For the latter, the state plays a major role.

The Chinese government signed documents on “Belt and Road Cooperation” with 138 countries and 30 international organizations and established long-term bilateral e-commerce

cooperation mechanisms with more than 20 countries by May of 2020. Additionally, it signed the Regional Comprehensive Economic Partnership (RCEP) that aims to promote the upgrading of the export e-commerce industry and the extension of trade radius. Both initiatives provide a positive and favorable developing environment for China's cross-border e-commerce (The State Council of the People's Republic of China 2021). Aware of such commercial outreach capability and the simultaneous Chinese engagement with the Latin American region, the US has shown concern considering that Beijing's intervention has so far been much more discreet than Washington's. China has placed their relations under the aegis of "South-South" cooperation, implying an "egalitarian" relationship between "partners" as opposed to hierarchical relations with the countries of the "North" (Wintgens 2022: 5). Nonetheless, the US is still the key player in the China-US-LAC triangular relationship.

Since LAC is proximate both to Washington's and Beijing's zone of influence and Latin American countries are economically dependent on the superpowers, the development of a regional digital market could be hampered. Particularly because the relationship between China and the United States is undergoing a transition. In the process, uncertainties and conflicts have emerged and the idea of "decoupling" has grown. In the long run, however, the two countries have no choice but to cooperate with each other given the deep economic interdependence between them that prevents them from confronting each other (Wu 2013: 69). In this regard, as China is now the second largest trade partner of the Latin American region as well as the leader of the global digital market, the question arises as to whether it would mean an obstacle or an opportunity for the Pacific Alliance's regional digital market project. In order to answer this question, it is pertinent to analyze the characteristics of the referred triangular relationship.

### **3.1 The Latin America-China-US Triangular Relationship: What is Changing for LAC**

To better understand the Latin America-China-US relationship it is important to define the concept of a "triangular relationship (TR)". The term "triangle" is a metaphor for the web of interrelationships between LAC, the United States, and China. The "triangular" character of the relationship can be understood in terms of the way that China-LAC interactions, China-US interactions, and US-China interactions are related and affect each other, in areas ranging from trade and investment to crime and security. Such interdependencies are complex and cross the boundary between economic and non-economic matters. Although many of the interdependencies between them revolve around the US market, there is also an important relationship between flows of export and remittance income from China (Ellis 2013: 85-87).

According to Armony (2013), the first to examine China's new role in Latin America from the perspective of TR was Juan Gabriel Tokatlian. This author argues that the LAC-US-China relationship is not a strategic triangle because there are vast asymmetries in power and autonomy among the parties. Although Tokatlian's work was published in 2008, its contribution remains in force because, as he observed at the time, the structure of hierarchies still means that US-China relations are not subservient to their respective ties with Latin America, and the growing asymmetric interdependencies between the three parts of the triangle do not mean that each must necessarily engage with the others. Moreover, triangular

relationships are not free of competing features and tensions, specially now that the emergence of new trade blocs –such as the Pacific Alliance in which all four members have Free Trade Agreements (FTAs) with the US– is creating new triangular dynamics (Armony 2013: 95) motivated by the digitalization of the economy.

With the digital transformation, the structure or terms of the LAC-US-China triangular relationship may change, but the overall level of commercial interchange between the three actors is only likely to expand in a much more asymmetric way. The Asian giant is reinforcing its relationship with Latin America. Its increasing role in terms of GDP, trade, upgrading and long-term growth and development, is significant for the region and the world market in general (Dussel Peters 2009: 374). As a result, China's rise in Latin America has brought concerns in Washington, but it has not yet fundamentally changed its foreign policy towards the region. The Biden administration has adopted a more conciliatory diplomatic rhetoric towards LAC countries than its predecessor (Donald Trump) at the beginning of its term. However, its priorities are above all the management of other issues and the region continues relegated to second place, for instance,

*the US administration's lack of interest in the region is reflected in President Biden's modest pledge in 2021 to spend \$4 billion on development projects in Latin America. This sum is almost insignificant when compared to the nearly \$4,000 billion announced for the US economic stimulus and infrastructure modernisation plans or to the amounts that China is promising in the region through the BRI in particular – estimates for the BRI as a whole have ranged from \$1,000 to \$8,000 billion. Unlike the United States, China has limited military projection capabilities at the global level and projects an image of soft power in Latin America (Wintgens 2022: 7).*

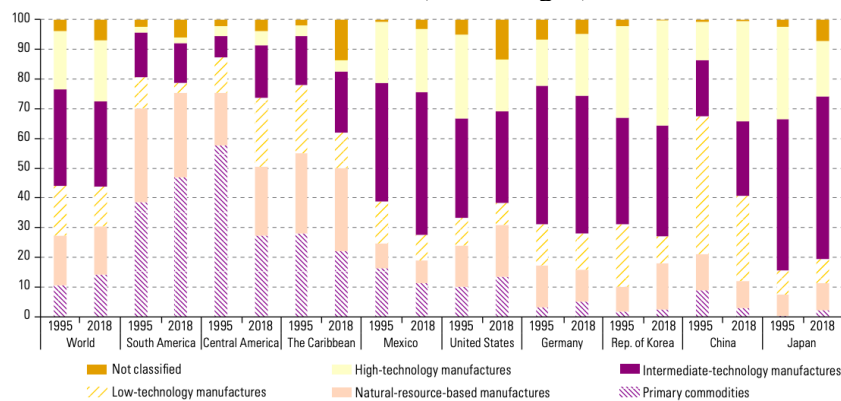
Such a “soft” approach, however, has brought consequences for LAC. As economic development is the primary goal of China's cooperation with Latin American countries, in the past decade it has gained a more solid foothold in it in an environment of relative decrease of US influence (Wu 2013: 69). But even though the region has had a growing trade surplus with China since the early years of the twenty-first century –as a result of the export boom in primary commodities–, it has seen these surpluses shrink rapidly and turn into a growing deficit in their bilateral commercial interchange (Jenkins 2009: 40). Such a deficit in China's favor characterizes the relationship with the US as well. And so, the latter's policies on its main Asian competitor consider two contrasting views of their bilateral relations.

On one hand, their interests are intertwined so deeply in almost every aspect that neither nation wants to confront the other when problems arise. On the other hand, Washington wants to regulate and constrain Beijing's behavior according to its standards (Wu 2013: 70) as it has done for a long time with Latin America's. In summary, what is changing is not the kind of relationship LAC, China, and the US have –a triangular one– but the scope of the asymmetries that are now determined not only by the US' role but also by China's. What is more, in a context

in which e-commerce has grown exponentially due to the COVID-19 pandemic, the bilateral trade dynamics between them is acquiring new nuances. Particularly, Latin America is facing the exponential expansion of Chinese e-commerce, which could impact its plans for a regional digital market.

Latin America’s economic dynamics has historically been shaped mainly by the region’s relationship with the United States and Europe. In the last two decades, Asian countries, and first and foremost China, have begun to play a more important role in the region. As mentioned before, China’s engagement with Latin America from the early 2000s until today has been based on its strategy of so-called “South-South” or “mutually beneficial” cooperation framed by the Third World narrative of “respect for sovereignty” and “non-interference” (Wintgens 2022: 1-2). But despite Beijing’s rhetoric about complementarity between trading partners, the structure of its trade with Latin America is characterized by asymmetries. China’s specialization in manufactured goods became more technologically sophisticated over time and in a period of only two decades it moved from low-technology to medium-technology and high-technology manufacturing exports (ECLAC 2020: 91) (See Chart 1).

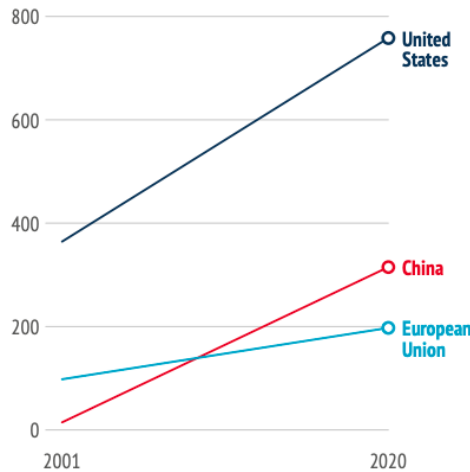
**Chart 1. Exports of goods, by selected regions and countries and type of product 1995–2018 (Percentages)**



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of the United Nations Commodity Trade Statistics Database (COMTRADE). (ECLAC 2020: 91).

This increase of more sophisticated goods has allowed Beijing to become the most important export market for Latin America and its second-largest trading partner (in goods), after the United States, far ahead of the European Union (EU) (See Chart 2). In 2020, in the midst of the sanitary crisis, LAC-China trade reached record levels as a percentage of regional GDP, with imports estimated at 3.8 % of GDP and exports at 3.2 % of GDP (3). And two years later, this growth looks likely to continue (Wintgens 2022: 2).

**Chart 2. Latin America's trade in goods 2001 vs 2020, \$ billion**



Source: Wintgens 2022, p. 2

Nowadays, the global economy is increasingly articulated around large digital platforms, which –interacting with disruptive technological advances such as artificial intelligence, additive manufacturing, the Internet of Things and blockchain– are drastically redefining traditional business models (Herrerros 2019: 7). As LAC is more specialized in primary products and resource-based manufactures, the growing presence of Chinese companies in the information and communications technology (ICT) sector in the region has increased its economic dependence. What is more, China’s e-commerce sector has demonstrated an explosive growth momentum and its cross-border e-commerce has become a new engine of its economic development (Hongfei 2017: 1). As a result, fundamental changes are being incorporated into the operations of traditional industry markets in LAC. This tendency –coupled with Beijing’s enhancing emphasis since 2016 on the “Digital Silk Road”– raises fears of a repeat of the center-periphery dynamic that has characterized the LAC’s relationship with other countries in the past (Wintgens 2022: 2), especially the US.

Although the latter is a possibility, for the moment the People’s Republic of China (PRC) has worked to re-orient Latin America and other parts of the world to its digital economy advantage. Therefore, LAC’s digital economy and associated technologies have emerged as a key focus of Beijing’s efforts. These areas received significant focus in “Made in China 2025” and the PRC’s 2015 “Digital Silk Road” initiative. Moreover, two of the 8 pillars in China’s “Global Development Initiative” –the digital economy and connectivity– are tied to them. In addition, Chinese companies have made significant advances and the China-CELAC 2022-2024 plan explicitly prioritizes China’s engagement with the region in a broad range of digital sectors like digital infrastructure, telecommunications, 5G, big data, cloud computing, artificial intelligence, and the Internet of Things (IoT) (Ellis 2022).

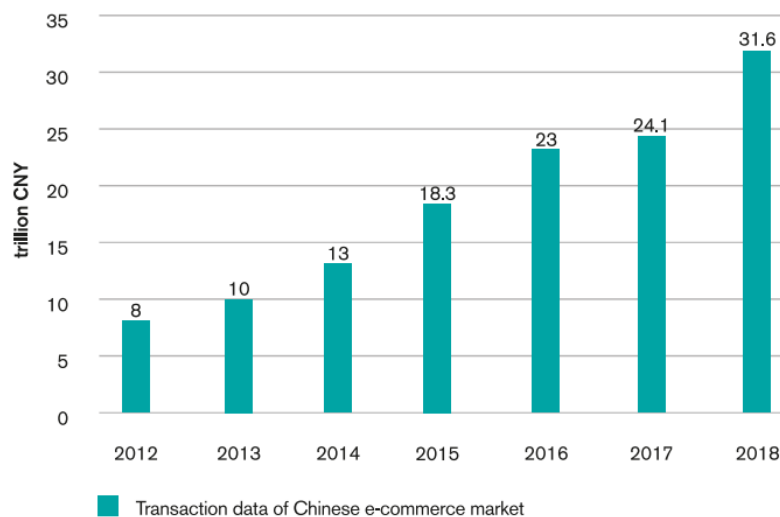
The interest in trading with these conditions, however, is mutual. The Chinese appetite for online shopping has opened a wide new market for Latin American agricultural products. Multiple virtual grocery shops are making it easier for LAC producers not only to sell their fruits and vegetables, but to understand, in real time, their Chinese customers’ tastes and preferences. For instance, Camposol, one of Peru’s leading fruit exporters, signed a strategic

agreement with Alibaba, China’s largest e-grocery player, in May 2018. ProChile also signed agreements with several Chinese online retailers, including Alibaba and Suning in November of the same year (Wei He and Mu. (2019). Other countries in the region are also ramping up efforts to foster e-commerce with China, as more and more consumers are turning to online shopping via mobile phones (Chan and Fu 2022). But to better understand what is trading with China in the digital age it is crucial to identify the particularities of e-commerce that has the potential to spread the “China effect”.

### 3.2 Chinese E-commerce: Characteristics and Evolution

E-commerce has been burgeoning in China since 1997 and its cross-border scope began to grow significantly in 2011. China’s e-commerce transactions increased from only US\$ 1.16 trillion (CNY 8 trillion) in 2012 to US\$ 4.58 trillion (CNY 31.63 trillion) in 2018 (see Chart 3). In 2018, e-commerce transactions of goods and services equaled US\$ 4.44 trillion (CNY 30.61 trillion) with a year-on-year growth rate of 14.5 per cent (Jiang, Zhang and Jin 2021: 142) Nowadays, it is an important part of Chinese foreign trade. The scale of China's cross-border e-commerce witnessed 18.6 percent growth to reach 1.92 trillion yuan (\$290 billion) in 2021, according to data from the customs (Yang 2022) and its major foreign trading partners in are the United States, Russia, Brazil, Spain, the United Kingdom, Australia, France, Italy, Japan, Canada, Germany and South Korea (Wu 2017).

**Chart 3. China’s e-commerce transactions have increased rapidly**



Source: Research report on market prospects and investment opportunities of China’s e-commerce industry in 2019–2024, China Business Industry Research Institute, 2019, available at: <https://www.askci.com/news/chanye/20190722/1129101150117.shtml>. (Jiang, Zhang, and Jin 2021: 142)

The market players who had made possible that that have made the accelerated growth of Chinese e-commerce possible include e-platforms (e.g. Alibaba), e-payment operators, e-vendors, warehousing operators, and express shippers, which jointly operationalize massive online transactions and offline deliveries on a day-to-day basis (Yang 2022). Among them, the role of companies has been crucial to the evolution of e-commerce in China. Based on the

above, Mao Yuxin and Zhao Liang (2015) identify six phases: (1) germination, (2) growth, (3) acceleration, (4) maturity, (5) outbreak, and (6) transformation. From the perspective of the industry economic theory cycle, Wang Baoyi (2017) understands China's e-commerce evolution in four periods: (1) germination, (2) growth, (3) eruption and (4) integration. Qi Ming and Sun Zhongtao (2017) also propose four stages: (1) independent, (2) platform, (3) ecological and (4) value. Taking into consideration the aforementioned contributions, a more recent proposal has been offered by Jiang, Zhang, and Jin (2021) identifying four phases:

**1. Germination stage (1997–1999).** *During this period, few people were informed about the market or participated in online shopping, and online shopping platforms were in their infancy. The main impact of e-commerce was to assist small and medium-sized enterprises (SMEs) to participate in international business-to-business (B2B) transactions. The demand for customer-to-customer (C2C) transactions had not yet arisen. Major e-commerce companies during this period were Alibaba, 8848 and EachNet.*

**2. Construction stage (2000–2007).** *The internet bust led to a reshuffling of e-commerce firms, as over one-third of internet websites disappeared. Nevertheless, increased acceptance of online shopping led to the rapid development of C2C transactions. However, there were important defects in logistical support for e-commerce, and sales of counterfeit goods were a major issue.*

**3. Evolution stage (2009–2015).** *China's e-commerce market was fully developed, and competition among e-commerce enterprises was fierce. 3G was officially commercialized in 2009. The business-to-consumer (B2C) platform Tmall went online. Purchases of clothing, shoes and handbags, as well as of household goods and services, increased. The number of internet users and firms providing express logistics services showed explosive growth, while the use of mobile phones to undertake e-commerce transactions rose sharply.*

**4. Mature stage (2016 until the present).** *China's e-commerce platform pattern has evolved into a new stage with the emergence of new business models. After several years of high-speed growth, the mobile shopping market growth rate started to slow down in 2016 and the e-commerce Monthly Active Users (MAU) increment also decreased. At the end of 2016, Alibaba launched a new retail concept, leading e-commerce enterprises to enter the offline market. At present, Alibaba has emerged into a relatively mature operational mode. (Jiang, Zhang, and Jin 2021: 143)*

With its high growth trend, e-commerce has become a new bright spot in China's economy (Hongfei 2017: 6). The data from the National Bureau of Statistics and the China Electronic Commerce Research Center shows that the proportion of the amount of cross-border e-commerce transactions to the amount of Beijing's total import and export trade increased year by year since 2010. A growth rate of more than 20% was maintained for six consecutive years. As a proportion of cross-border e-commerce in China, exports are much larger than imports (exports represent 83.1% of total cross-border e-commerce transactions in 2015), highlighting the global market's capacity for Chinese goods and confirming the role of cross-border e-commerce in driving exports (see Chart 4) (Hongfei 2017: 10).

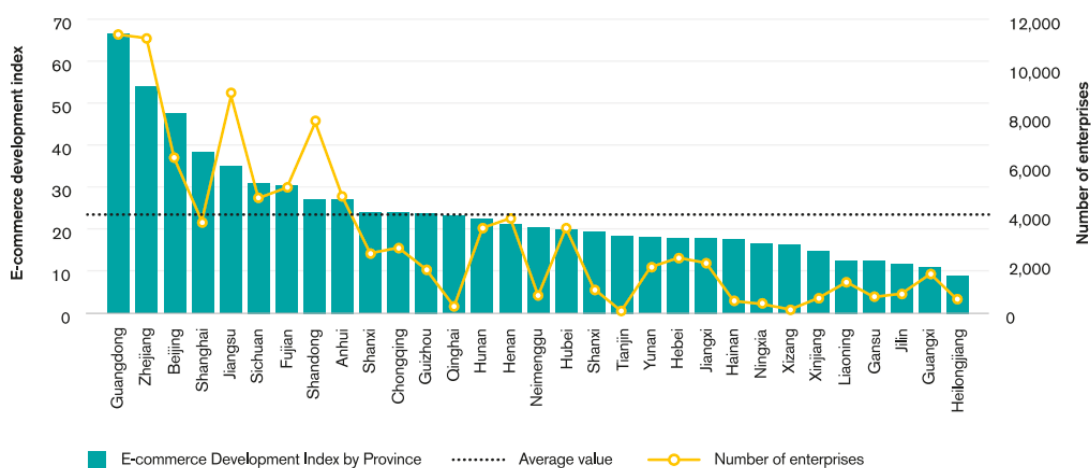
**Chart 4. Proportion of China’s cross border E-commerce import and export transactions**



Source: Ali Research Institute, China Electronic Commerce Research Center in Hongfei 2017, p. 12.

Chinese e-commerce success has to do with the particular characteristics that distinguish it. To start with, its industry and spatial distribution vary greatly across provinces in the country. According to Jiang, Zhang, and Jin (2021), in 2018, e-commerce enterprises were mainly located in the eastern coastal areas, including the provinces of Beijing, Fujian, Guangdong, Jiangsu, Shandong and Zhejiang. From the coast to the inland, the development of e-commerce in the provinces of Anhui, Chongqing, Guizhou, Hebei, Heilongjiang, Henan, Hubei, Hunan, Jiangxi, Liaoning, Shanghai, Shanxi, Sichuan and Yunnan is only moderate. While the development of e-commerce in the vast central and western regions and parts of the northeast provinces is limited. On the whole, the level of e-commerce development declines as one moves from east to west, which is closely related to the level of economic development and degree of marketization in each region (see Chart 5).

**Chart 5. An index of the development of e-commerce across provinces is closely related to the number of firms, 2017**



Source: 2017–2018 China E-commerce Development Index Report in Jiang, Zhang, and Jin 2021, p. 146.

In regard to its platforms, their distribution between traditional e-commerce platforms and social e-commerce platforms has intensified the competition to become the most convenient platforms (Jiang, Zhang and Jin 2021: 152). The availability of a user-friendly internet platform

is also a major feature of the rapid development of China’s e-commerce. Consumers can easily search for various products and compare their function and price, and they can also pay through online commercial banks. In addition, fast logistics to minimize delivery time and costs is the foundation for such rapid development (AdChina.io 2020). What is more, in terms of its regulations, the government has played a key role in the process of creating an environment to thrive and putting in place regulations and policies to support the sector.

The Chinese government formulates a plan every five years to promote the development of e-commerce. Since 2006, there have been three five-year plans addressing e-commerce development, each emphasizing different issues. The changes in the plans concentrate on four aspects over time (see Table 5). The 11th five-year plan proposed to construct the e-commerce platform, while the 12th five-year plan proposed its upgrade. The emphasis in the plans changed from popularizing e-commerce applications to deepening them over time. e-commerce regulation in the plans changed from emphasizing standardized principles to emphasizing open norms. Additionally, because e-commerce development has now entered the mature stage, the 13th five-year plan proposed the integration of traditional industries and e-commerce (Jiang, Zhang and Jin 2021: 149).

At the local level, municipal governments in some cities are encouraged to explore ways in which they can integrate different administrative resources and provide comprehensive services in order to hatch cross-border e-commerce. The Chinese government has also approved a dozen cities to found cross-border e-commerce comprehensive pilot areas, with a view to hatching this emerging industry. Hangzhou, which is also known as China’s e-commerce capital, was the first to be approved, on the back of its achievements in mobilizing different administrative resources (Wu 2017).

**Table 5. Evolution of the five-year plans**

	11 <sup>th</sup> five-year plan	12 <sup>th</sup> five-year plan	13 <sup>th</sup> five-year plan
E-commerce applications	Popularize	Deepen	
E-commerce regulation		Standardize	Open
E-commerce platform	Construction	Upgrade	
Traditional industries			Integration

Source: Jiang, Zhang and Jin 2021, p. 149.

The government strongly supports the construction of e-commerce platforms, and is simplifying procedures of capital registration, reducing barriers to access and cleaning up existing pre-approval issues in the field of e-commerce. Authorities are supporting the establishment of logistical terminals and intelligent logistical platforms, promoting the construction of transregional and cross-industry logistical platforms, supporting infrastructure construction of express distributing stations, and encouraging community management systems, village information service stations, as well as stores to provide express delivery

services. (Hongfei 2017: 15). Aware of the benefits of e-commerce for the economy, the Chinese government has embarked on issuing a series of policies in favor of this industry.

In August 2013, the Chinese government promulgated a notice requiring relevant government agencies to put in place measures that support cross-border e-commerce, in response to the new trends in foreign trade and the emerging needs of traders and consumers. Later on, in June 2015, it published the “Guiding Opinions on Promoting the Healthy and Rapid Development of Cross-border E-commerce.” In this document, the Chinese government rolled out its strategy to foster cross-border e-commerce (Ellis 2022). Eventually, on January 1, 2019, the first comprehensive law in the field of e-commerce in the country entered into force: the “E-Commerce Law of the People's Republic of China”.

According to the China Business Industry Research Institute (2019), the latter strengthens the responsibility of e-commerce platforms and the protection of consumer rights and interests, regulates the behavior of e-commerce operators, and expressly prohibits unfair market activities. Since this new form of foreign trade has witnessed rapid growth in the country by making full use of its advantages in online trading and contactless delivery since the pandemic outbreak, now it is set to play a bigger role in bolstering the development of foreign trade during the 14th Five-Year Plan period (2021-25) (Feifei 2022). But despite the great opportunities that this way of trading has brought for Beijing, it faces several challenges.

*In general, China's cross-border e-commerce suffers from slow customs clearance, a complex tax rebate scheme, high risk foreign exchange payments, expensive and inefficient international logistics, unclear government supervision, and poor after-sales service. The reasons behind these problems are attributed to the following key issues: the mismatch between the traditional business supervision measures and business models that are continuously innovating; the quality of the cross-border trade service platform is uncertain; the cross-border e-commerce trade lacks after-sales service and a means of reporting transaction disputes; the current economic data statistics cannot keep up with the development of new formats. And so, it is complicating export statistics; and, although the Chinese government has introduced a number of policies and regulations, it is difficult to harmonize them with those from different departments (Hongfei 2017: 21-23).*

With respect to regulations, while it lacks internal coordination, it appears to be benefiting externally from international agreements. China continues to fulfill the Agreement on Information Technology proposed at the WTO Ministerial Conference in Singapore in 1996. In addition, it has participated in the negotiation of the Information Product Agreement, and it may participate in the negotiation of the e-commerce agreement. Accordingly, as a developing country, it should actively join the WTO's agreement on e-commerce, which will facilitate the entry of its information technology products in global markets and promote the development of its cross-border e-commerce (Jiang, Zhang and Jin 2021: 152).

Since the sanitary crisis highlighted the vulnerability of global value chains, reinforced regionalism and strengthened two inter-related trends that were already emerging before the crisis (a lower level of productive, commercial and technological interdependence among the main world economies and a lower level of trade openness, permeated by geopolitical and national security considerations) (OECD et al. 2021: 117), an inter-regional scope of such development must be expected to play a key role. In particular, China has a strong interest in digital and technology markets in Latin America and the Caribbean.

*The Asian giant is now the second top trading partner of the region and it has become one of the principal providers of physical and digital infrastructure by using instruments such as soft loans and the \$30 billion China-LAC Cooperation Fund. Since Beijing launched the Digital Silk Road in 2017, various Chinese companies partially owned by the state have expanded their presence in LAC, promising to provide rapid technological development, greater connectivity in rural areas, and many other benefits. Huawei is the most prominent of these firms in digital infrastructure. These trends look set to continue. In 2021 China and the CELAC members signed an ambitious strategy document for economic and trade cooperation during 2022-2024<sup>9</sup> (Hobbs and Torreblanca 2022).*

Although such a digital rapprochement could also have benefits for Latin America (e.g. China's middle class continues to grow and consumers increase their spending on imported food from the region) (Wei He and Mu 2019), the emergence of China as LAC's second-largest trading partner has accentuated the declining trend of its intraregional trade. While China's burgeoning demand for commodities has reinforced the region's historical primary export pattern, the large-scale arrival of Chinese manufactures has displaced trade within the region in a wide range of industrial sectors (OECD et al. 2021: 120). Beijing's attempts to reduce its dependence on the West and create an alternative multilateral order are motivating its interest in accessing LAC markets and raw materials, as well as exporting Chinese technological standards to the countries of the region (Hobbs and Torreblanca 2022). This could have consequences for the aforementioned Latin American regional digital market project considering that there is a big influence of Chinese companies in the wave of innovation, particularly in e-commerce (Yoshimura 2021).

For instance, Alibaba's –China's biggest e-commerce platform– global ambitions cannot be satisfied without being present and investing in Latin America. This company knows how to leverage the potential of the e-commerce market in LAC, and it is benefiting from a positive brand image in the region. In fact, its pressure has created regional giants like MercadoLibre,

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<sup>9</sup>The agreement is designed to promote dialogue in areas such as norms and rules in cyberspace, as well as the misuse of information and communications technology (ICT), and to strengthen cooperation in digital infrastructure, telecommunications equipment, 5G, big data, cloud computing, AI, the internet of things, smart cities, Internet Plus, and universal telecommunication services. China has two main motives for pursuing these agreements and initiatives. The first is commercial, as they have the potential to produce a good return on investment and to boost the global position of Chinese tech giants. The second motive is strategic. Investments of this kind enhance China's diplomatic power and give it greater room for maneuver on key foreign policy issues. See Hobbs and Torreblanca 2022.

inspiring Alibaba to swing the market in its favor (Achim 2021). The presence of this and other Chinese companies, however, is no coincidence. China's successes in the region follow an ambitious, well-calculated strategy that combines political impulses with economic resources. The region has even been considered "a natural extension of the 21st Century Maritime Silk Road" (Hobbs and Torreblanca 2022). And so, Beijing's growing involvement in trade, infrastructure, and connectivity in LAC has caused concern in the US and the EU with whom China is competing for the leadership of digital trade governance. Such regulatory balkanization raises important questions for Latin American countries.

### **3.3 LAC and the Competition for Digital Trade Governance**

The United States and the European Union have historically been privileged partners for Latin America. Nowadays, however, China is taking advantage of its huge domestic market and is projecting its model of economic development in the region which, unlike the EU, does not present itself as a normative power willing to influence the political agendas and economic and trade regulations of LAC countries. Instead, it projects the image of a pragmatic power capable of responding to the immediate needs of Latin American states and elites. Likewise, Beijing has been very successful in taking advantage of its huge domestic market to close the digital divide with the US (Wintgens 2022: 7), seeking to preserve as much space as possible to continue developing an active role in the digital transformation of LAC's economy and trade dynamics.

These three actors –the US, the EU and China– represent the major regulatory models and beyond their differences, they have the common element of being much more advanced than LAC in the digital economy. As a result, today's e-commerce negotiations are once again reproducing the dynamics observed over the last three decades, in which the countries of the region have "imported regulations", specially in the areas of trade and services. Then, although a growing number of Latin American countries are participating in trade agreements that contain chapters on e-commerce, their content essentially reflect the models developed by the extra-regional partners with which these agreements have been signed (Herreros 2019: 38).

For instance, Chile, Mexico and Peru assumed very demanding market access obligations in the context of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, formerly TPP); Mexico also, and to an even greater extent, in the US-Mexico-Canada Agreement (USMCA), less ambitious ones in their respective agreements with the EU, and – in the case of Chile– a minimalist set of commitments in its agreement with China (*Ibidem*). It is important to note that both the CPTPP and the USMCA were initially promoted by the United States, suggesting the predominance of the US model in Latin American regulations.

The discrepancies between the regulatory models exposes the lack of balance in the negotiations and the difficulties that it could represent for the rest of the world. They also reflect the different preferences around societies, for example the value assigned to the privacy of personal data is particularly higher for the European Union than for the US and China. What is more, such discrepancies evidentiate the diverse views within the WTO whose members agreed

to initiate exploratory work on e-commerce in December 2017. But only until January 2019 the plurilateral negotiations were launched including China, which did not make it any easier. Simultaneously to Washington and Brussels, Beijing is seeking to promote its own model through regional trade agreements (RTAs) that have been used as "laboratories" to generate new rules in e-commerce (*Idem*: 23) –including the CPTPP and the USMCA.

The main characteristics that distinguish the above mentioned three models are related to the degree of openness they promote. The US model promotes the maximum possible freedom for e-commerce, a position consistent with its interest in preserving its leadership position in the digital economy. It also favors openness seeking to preserve the dominant position of its technological giants that compete particularly with the Chinese ones. Thus, Washington wants to reach an agreement at the WTO to prohibit various practices employed by Beijing, including the blocking of various Internet sites, server localization requirements, restrictions on the free cross-border flow of data, and the requirement that foreign companies disclose their source codes, algorithms or trade secrets as a condition for operating in the Chinese market. The US is also proposing an agreement in which all participants would assume the same obligations regardless of their level of development, a position that is resisted by China. This model, very ambitious on market access issues, is rather more lax on regulatory issues, including a strong emphasis on self-regulation by the private sector (Herreros 2019: 22-38).

The European Union, by its side, presents itself as a normative power seeking to influence the political agendas and economic and trade regulations of LAC countries (Wintgens 2022: 7). This political and economic integration project that represents twenty seven states as an unique actor, compared to the United States, occupies a secondary position in the digital economy. It has been engaged since 2015 in the project to create a digital single market, extending the principles of the European single market to this area. Along with removing barriers to e-commerce among its members, the EU seeks to generate regimes that address the disruptive effects of digitalization in various areas: consumer protection, personal data protection, cybersecurity, cybercrime, tax fairness, free competition, and even in the regulation of labor, transport, housing and health. Along with this, and in contrast to the model adopted by the US, the EU is less prone to "digital free trade". It has by definition a regional vision and it combines a significant degree of openness –necessary for the development of e-commerce (Herreros 2019: 24-38).

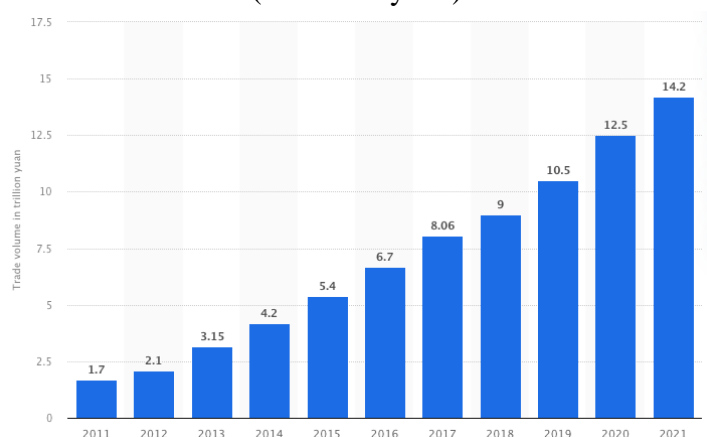
Finally, the Chinese model is considered a *sui generis* experience that is difficult to replicate in other countries, since it combines the country's huge domestic market with the particularities of its political and economic system (OECD et al. 2021: 117) of "double rail" (socialist and capitalist respectively). As mentioned above, in this model the role of the Chinese government is paramount. It has approved a dozen cities to found cross-border e-commerce comprehensive pilot areas, with a view to hatching this emerging industry (Wu 2017). But while the US model promotes private sector self-regulation, the advance of Chinese companies in the digital space is in some ways being hampered by the government's battle to control over those technologies and to ensure that the wealthy company heads associated with them do not become a threat to President Xi's leadership (Ellis 2022).

China has been particularly interested in developing a holistic and long-term strategy to maintain its dominance in the global digital market especially because in recent years e-commerce has become an indispensable part of its economy. It seeks to target trade partners that can favor its plans, such as the Latin American region. But the Chinese approach to this region has not necessarily meant an equitable development in the field of digital trade. And so, the presence of Beijing could limit LAC's freedom to develop a common regime within the framework of the regional digital market promoted by the Pacific Alliance. This argument is on the table considering that conventional trade relations with the Asian giant were already asymmetrical.

### 3.4 The Pacific Alliance: A Blue Ocean Market for China

To glimpse how China could influence the Latin American project for a regional digital market it is important to identify, meanwhile, the development of e-commerce in both cases to grasp the reality of this commercial dynamic. For this, it should not be forgotten that for the purposes of this paper e-commerce is considered crucial to digital trade, but it is not the only element that composes it. However, due to time constraints, other indicators have not been studied in depth. As mentioned before, China is by far the biggest e-commerce market in the world. Over the past five years, its cross-border e-commerce has grown by nearly 10 times (see Chart 6). About 68% of Chinese consumers consider foreign goods as better quality, particularly in the fashion and beauty industries that make up the largest segment of e-commerce imports. Due to the COVID-19 pandemic, in 2020 the cross-border commerce market in this country went through a phase of uncertainty and instability (AdChina.io 2020).

**Chart 6. Trade volume of China's cross-border e-commerce players 2011-2021**  
(in trillion yuan)



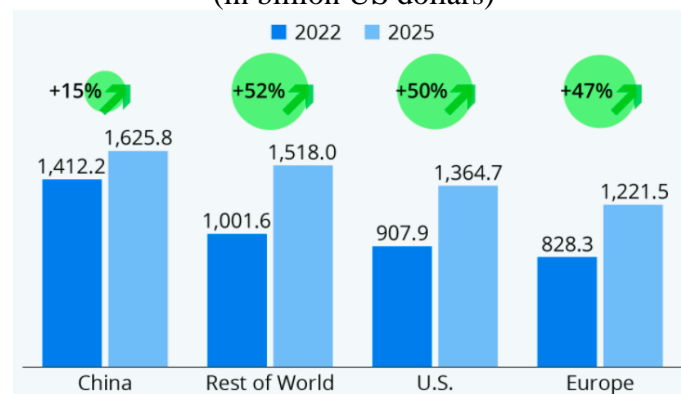
Source: AdChina.io. (2020). *China Cross Border Ecommerce Insights To Know in 2022*. Accessed on October 6, 2022. Retrieved from: <https://www.adchina.io/china-cross-border-e-commerce/>

Nonetheless, in 2021, the global logistics system recovered from expensive sea shipping and the price hikes in air freight. According to statistics from the General Administration of Customs, the cross-border e-commerce trade in the first three quarters of 2021 increased by

20.1% year on year (Department of Regional Opening-up 2022). In this sense, the Statista Digital Market Outlook predicts that in a period of 4 years, almost every second e-commerce dollar could be spent in China. As part of this tendency, in 2022 the State Council of China established 46 new cross-border e-commerce pilot zones<sup>10</sup> where businesses benefit from preferential tax policies and streamlined customs procedures. The total number of such zones in China is now 105 (AdChina.io 2020).

The geographic distribution of cross-border e-commerce is highly concentrated in China, the United States and some European countries, while at the other extreme the share of Latin America and the Caribbean (LAC), Africa and the Middle East is marginal. In the case of LAC, its estimated share of global cross-border e-commerce sales is much lower than its share of global exports of goods, which during the present decade has hovered around 5.5%. This reflects their significant digital divide with respect to developed countries (Herreros 2019: 13). Until 2025, the Chinese e-commerce market is only expected to grow by 15% while remaining the largest in the world. In Europe and the US, e-commerce is now expected to grow by 47% to 50% over the given time frame, while the average for the rest of the world is now expected to grow by 52% (see Chart 7) (Buchholz 2022).

**Chart 7. China’s E-Commerce Growth Trails the Rest of the World**  
 Projected increase in e-commerce sales in selected countries between 2022-2025  
 (in billion US dollars)



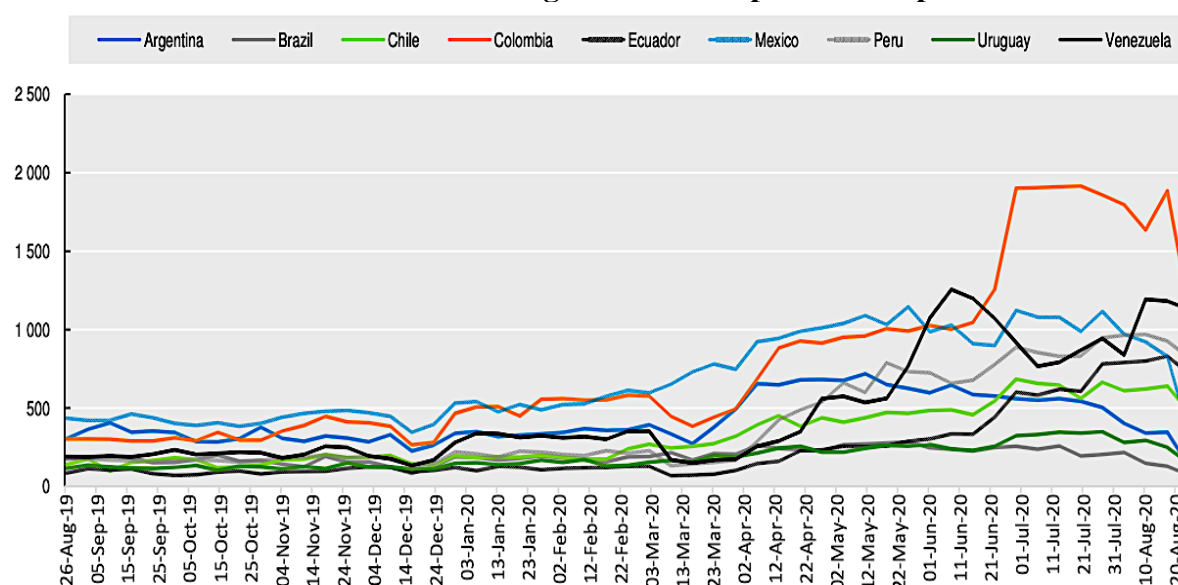
**Source:** Statista Digital Market Outlook in Buchholz, Katharina. (2022). *China's E-Commerce Growth Trails the Rest of the World*. Statista. Accessed on November 17, 2022. Retrieved from: <https://www.statista.com/chart/22729/e-commerce-sales-growth-by-region/>

Latin America experienced important advances in terms of digital transformation already during the last decade, but they have been moderate compared to the advances made in other emerging economies, particularly China and in Southeast Asia. In LAC, on average digital adoption in business was 4.5% between 2014 and 2016, well below highly dynamic countries

<sup>10</sup> When companies sell items to Chinese consumers from these zones, they benefit from a reduced import tariff, which lowers the overall tax for them'. For more information see: [https://english.www.gov.cn/policies/latestreleases/202202/08/content\\_WS62023900c6d09c94e48a4d42.html](https://english.www.gov.cn/policies/latestreleases/202202/08/content_WS62023900c6d09c94e48a4d42.html)

in Southeast Asia (13.1%) or China (16.4%) (OECD et al. 2021: 124). These trends cause concern for LAC given its export specialization in raw materials and low-skill labor-intensive manufactures, as well as its well-known institutional and technological shortcomings (Herreros 2019: 38). According to the OECD (2021), in Latin American countries with the most developed marketplaces, new sellers multiplied by 4, while in countries with less platform development, the growth was 6 times in the period 2019-2020 (see Chart 8).

**Chart 8. Number of sellers in e-commerce in LAC 2019-20, selected countries**  
**Panel A. Countries with greater marketplace development**



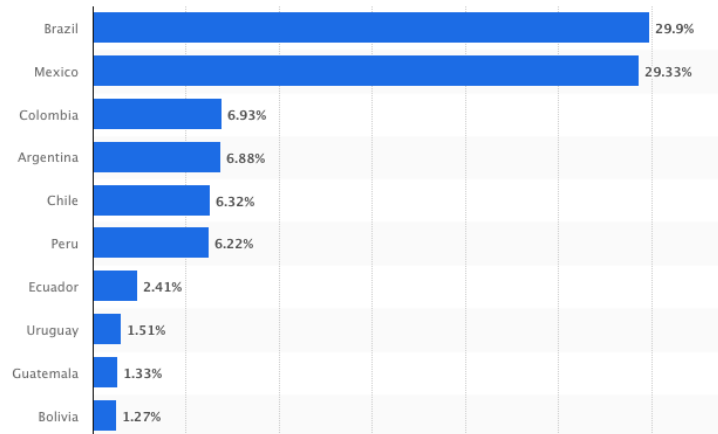
Source: ECLAC. (2021). *Post Pandemic COVID-19 Economy Recovery: Enabling Latin America and the Caribbean to Better Harness E-Commerce and Digital Trade*. Panama, United Nations, Konrad-Adenauer-Stiftung e.V and Inter-American Development Bank. Accessed on September 5, 2022. Retrieved from: [https://www.cepal.org/sites/default/files/publication/files/46858/S2100269\\_en.pdf](https://www.cepal.org/sites/default/files/publication/files/46858/S2100269_en.pdf)

Since the number of people buying online skyrocketed, digital trade transactions, the socioeconomic profile of online consumers and the consumption patterns of digitally traded services changed drastically. Online purchases have become a new market norm, thus approximately 73% of Latin American consumers have downloaded mobile phone shopping apps during the pandemic. The online purchase ratio in Peru and Colombia is close to 70%, whereas the share of online bank accounts in Chile is over 70% considering that this country has the highest per capita income among the top 10 Latin American economies (Chan and Fu 2022). Particularly in the context of the sanitary crisis, e-commerce in LAC reached \$200 billion and became the second fastest-growing market in 2020 (Chevalier 2022).

In 2020, online sales in the region surged by 36% year-on-year, making it one of the fastest-growing e-commerce markets worldwide. As part of this dynamic, “Mercado Libre” – one of the most popular Latin American platforms– is the world’s seventh largest one and provides wide-ranging support to sellers joining it (Chan and Fu 2022). Focusing on the Pacific Alliance members, Mexico and Colombia concentrated nearly 29.3% and 6.9% of the e-

commerce market in 2021 respectively (see Chart 9) (Chevalier 2022), just behind Brazil that accounted for 29.9% leading the region. Brazil and Mexico, in fact, are the biggest markets in Latin America. Chile and Peru, by their side, concentrated nearly 6.32% and 6.22% respectively.

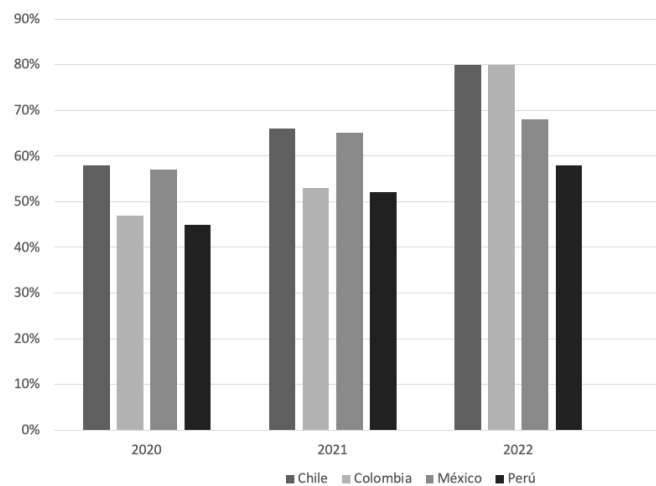
**Chart 9. Distribution of the e-commerce market in LAC in 2021, by country**



Source: Stephanie Chevalier. (2022). *Distribution of the e-commerce market in Latin America and the Caribbean in 2021, by country*. Statista. Accessed on November 17, 2022. Retrieved from: <https://www.statista.com/forecasts/256166/regional-distribution-of-b2c-e-commerce-in-latin-america>

Even though Colombia, Chile and Peru are part of the top six countries on the list, the scope of their e-commerce market is significantly small in comparison to Mexico's. In general, for the Pacific Alliance members, the period 2020-2022 represented an increase in the penetration of e-commerce in the commercial dynamics of their markets. Chile and Colombia had an exponential presence which went from 58% and 47% in 2020 respectively to 80% in 2022. While in Mexico and Peru e-commerce presence grew in a most moderate way going from 57% and 45% to 68% and 48% respectively (see Chart 10).

**Chart 10. E-commerce Penetration in the Pacific Alliance Member Countries 2020-2022**



Source: Author's rendering with data from EBANX. (2022). *Beyond Borders 2022 → 2023: An overview of online commerce in Latin America and Africa*. Accessed on December 17,

2022.  
[https://business.ebanx.com/hubfs/Beyond%20Borders/2023/EBANX\\_Beyond\\_Borders\\_2023.pdf](https://business.ebanx.com/hubfs/Beyond%20Borders/2023/EBANX_Beyond_Borders_2023.pdf).

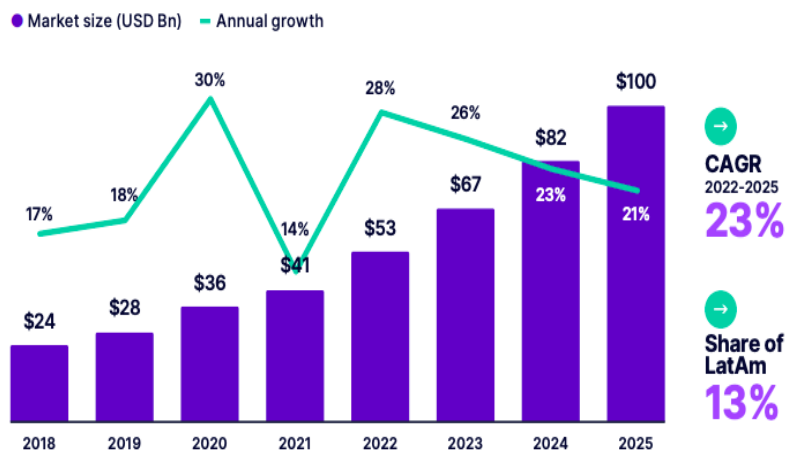
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While e-commerce has penetrated the Alliance's markets, estimates show a slowdown in its growth across the members in 2021 and 2022, with the exception of Mexico. As in most parts of the world, the coronavirus pandemic changed Mexicans' consumption habits almost overnight, propelling the use of digital channels. In terms of the e-commerce market size, Mexico is LAC's second largest and it still has a lot of room to grow (EBANX 2022). The Chart 11 shows that the Mexican e-commerce market size is expected to continue growing by 2025. For this country, the year 2020 had the highest annual growth rate. But its annual growth rate will decrease in a moderate way in comparison to the fall from 30% to 14% between 2020-2021. Nonetheless, it recovered already in 2022 reaching 28%.

By the end of 2022, the Mexican market comprised 64 million e-commerce users. Even after most COVID-19-related restrictions had been lifted, consumers still primarily focused their online shopping on personal and household goods. In this country, the uptake of e-commerce is largely due to the strong consumption by younger generations. Another characteristic of the Mexican market is that it is dominated by players of foreign origin such as Amazon, Mercado Libre, and Walmart. In 2022, Mercado Libre was the most popular e-retailer among Mexicans, responsible for the highest monthly traffic to e-commerce sites in the country (Chevalier 2022b).

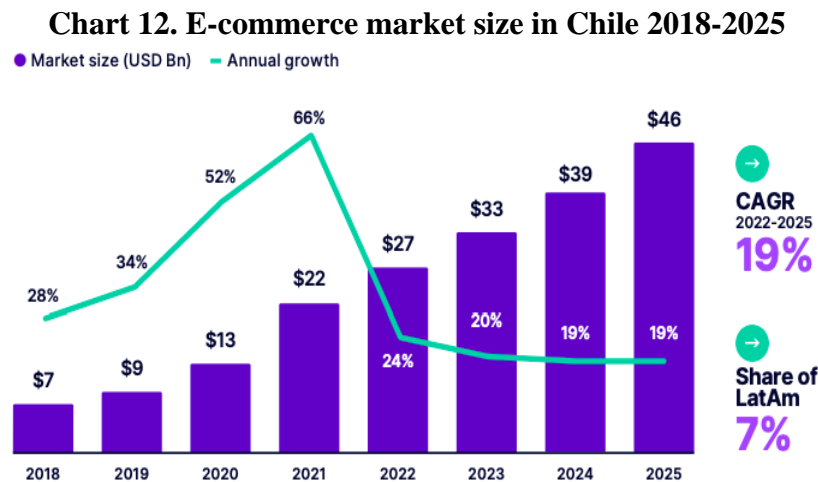
**Chart 11. E-commerce market size in Mexico 2018-2025**



Source: EBANX. (2022). *Beyond Borders 2022 → 2023: An overview of online commerce in Latin America and Africa*. p. 120. Accessed on December 17, 2022. Retrieved from: [https://business.ebanx.com/hubfs/Beyond%20Borders/2023/EBANX\\_Beyond\\_Borders\\_2023.pdf](https://business.ebanx.com/hubfs/Beyond%20Borders/2023/EBANX_Beyond_Borders_2023.pdf).

For Chile, travel and digital goods are pushing the growth of e-commerce (EBANX 2022). Within Latin America, Santiago had the most consumers showing the side effect of the outbreak of COVID-19 that led to a boom in e-commerce at the beginning of 2020. Around two out of three Chilean e-shoppers who participated in a survey said they increased online purchasing during the pandemic, the highest share in the region. The spike is also evident in online sales performance. In 2021, business-to-consumer (B2C) e-commerce sales in Chile

were estimated at close to 12 billion US dollars, nearly double that of 2019 (Pasquali 2022). In terms of its size, the Chilean e-commerce market is also expected to increase by 2025 but its annual growth rate will not have the same exponential increment. For this country, the year 2021 had the highest annual growth rate. It went from 28% in 2018 to 66% in 2021 but it could not keep pace and fell to 24% already in 2022. The latter is not expected to recover in the near future, but on the contrary is projected to decrease further to 19% in 2025 (see Chart 12).



Source: EBANX. (2022). *Beyond Borders 2022 → 2023: An overview of online commerce in Latin America and Africa*. p. 122. Accessed on December 17, 2022. Retrieved from: [https://business.ebanx.com/hubfs/Beyond%20Borders/2023/EBANX\\_Beyond\\_Borders\\_2023.pdf](https://business.ebanx.com/hubfs/Beyond%20Borders/2023/EBANX_Beyond_Borders_2023.pdf).

In the case of Colombia, account-based transfers represent almost a third of its e-commerce market (EBANX 2022). While for other countries the increase in e-commerce was boosted by the pandemic, for this country the year that saw the greatest annual growth in e-commerce was 2019. But the 49% that it reached that year fell to 21% in 2021. Nonetheless, it recovered in just one year, reaching 46% in 2022 (see Chart 13). In this country, millions of individuals who once shopped for groceries and other household supplies in person suddenly found themselves completing these tasks online. As a result, the country finished 2021 with an estimated 25 million online buyers, more than 70% of its internet-using population. That year, Colombia ranked as the third largest e-commerce market in Latin America (Chevalier 2022a) (see Chart 9).

According to a survey, nearly 50% of internet users in Colombia purchased a product or service online weekly in 2021. Free delivery and a simple online checkout were the main factors driving these internet purchases, but certain aspects of the in-store experience proved difficult to replace. The ability to try on a product before buying it, for instance, was one of the leading reasons discouraging Colombians from buying products online, especially when doing so for the first time (Chevalier 2022a). As promising as these conditions appear to be for e-commerce, it is expected that its annual growth will fall to 17% in 2023. And its possible recovery to 25% in 2025 will be insufficient to match the 2018-2019 growth level.

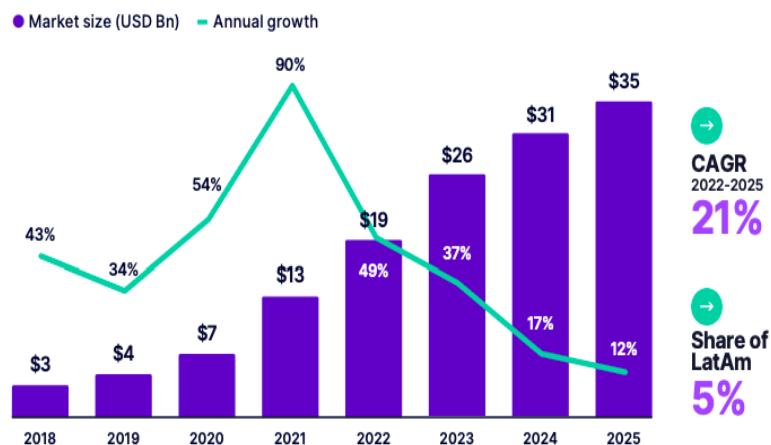
**Chart 13. E-commerce market size in Colombia 2018-2025**



Source: EBANX. (2022). *Beyond Borders 2022 → 2023: An overview of online commerce in Latin America and Africa*. p. 124. Accessed on December 17, 2022. Retrieved from: [https://business.ebanx.com/hubfs/Beyond%20Borders/2023/EBANX\\_Beyond\\_Borders\\_2023.pdf](https://business.ebanx.com/hubfs/Beyond%20Borders/2023/EBANX_Beyond_Borders_2023.pdf).

Peru has the highest share of cash in Latin American e-commerce (EBANX 2022). Similarly to Mexico, Chile and Colombia, the Peruvian e-commerce market size is expected to continue growing by 2025. In terms of its annual growth, it increased from 43% in 2018 to 54% in 2020 and had its highest growth in 2021 with 90% (see Chart 14). In the context of the pandemic millions of consumers in this country resorted to online alternatives to complete their purchases. As a result, retail e-commerce revenues grew by 50% in 2020 and it held one of the highest e-commerce market shares in the region, totaling more than nine billion US dollars in business-to-consumer (B2C) sales. In 2021, almost 14 million Peruvians shopped online, more than double before the pandemic. Far from being a habit exclusive to the sanitary crisis, internet purchases seem to have made their way into the routines of many in Peru, with almost three-quarters of digital buyers engaging in this activity at least once per month. According to a survey, e-commerce has made it easier for consumers to gather information before making a purchase, whether it's researching the product beforehand or checking reviews to gain insight into the experiences of others (Chevalier 2022c).

**Chart 14. E-commerce market size in Peru 2018-2025**



Source: EBANX. (2022). *Beyond Borders 2022 → 2023: An overview of online commerce in Latin America and Africa*. p. 126. Accessed on December 17, 2022. Retrieved from: [https://business.ebanx.com/hubfs/Beyond%20Borders/2023/EBANX\\_Beyond\\_Borders\\_2023.pdf](https://business.ebanx.com/hubfs/Beyond%20Borders/2023/EBANX_Beyond_Borders_2023.pdf).

With new digital consumers gaining access to e-commerce, the Latin American region, and particularly the Pacific Alliance, is a blue ocean market for China. Focused on the big young population of the region, industries such as gaming, online retail, SaaS, and streaming services are recording double-digit growth, representing a huge opportunity for companies based in more mature markets that aim to expand to faster-growing countries (EBANX 2022: 35). Specifically, Chinese cross-border e-commerce companies are increasing their presence in LAC and are better understanding consumers' demand with the aid of new technology and algorithms (Yang 2022).

This has created opportunities for such companies to leverage their positions to advance in other areas, while also giving them significant opportunities to collect intelligence on both government and commercial targets, putting at risk the ability of Latin American national and local governments to make sovereign decisions to establish digital trade regulations. In this regard, it is not clear if they are able to evaluate the risks of the compromise of their data, or information that can be gained through access to that data. Nor is it clear that they have the technical knowledge or tools for evaluating the hazards and working toward rational public policy positions to control such companies while securing the benefits of Chinese or other digital technologies (Ellis 2022). A reason for this is the increasing economic dependence on Beijing that has minimized the countries' capabilities to establish boundaries.

The Chilean case is a relevant example for this. In the last thirty years ago, Chile's policy of "open regionalism" has contributed to seek new commercial opportunities wherever possible for the export-oriented economy. As a result, Chile is one of the countries in the region with the best relationship with China. It was also the first country in the region to sign a Free Trade Agreement with Beijing in 2006, and it is the second largest exporter to this Asian country after Brazil. Santiago has benefited from the high world market price of copper that is its major export to China (Jenkins and Dussel Peters 2009: 13). But Chinese demand for copper has intensified dependence on this one product, exposing Chile even more to the vagaries of fluctuating international commodity prices. As a consequence, the largest share of Chile's exports is to China, compared to other countries in the region (Barton 2009: 231-233).

To cope with this situation, Santiago has been looking for alternatives to reduce such economic dependence. With a particular interest in the Asia Pacific Region, it has now consolidated agreements with not only China, but also Korea, Brunei Darussalam, New Zealand and other countries in the Asian region since 2004 (*Idem*). Moreover, Chile has positioned itself as a promoter of the aforementioned CPTPP that has been crucial for the ongoing establishment of regulation both at the regional and global levels in the field of digital trade. Additionally, it is also a pioneer in the establishment of a new type of agreement in this area: the Digital Economy Agreements (DEAs) introduced in the first section of this work. In January 2021, Santiago signed a DEA with New Zealand and Singapore that seeks to create a common framework for

data protection, establishes common rules on digital trade and removes digital barriers for business (US Department of Commerce 2022).

Chile's global openness has had an impact on its trade dynamism, but has not had the same effect on the region as a whole. Because the Chilean economy is so open, in many cases Chinese goods have displaced imports, often from other Latin American countries, rather than domestic production. For instance, as Chile's manufacturing sector was in any case much smaller than in other states within the region, the overall economic impact of competition from Chinese imports was not as significant as in the other countries (Jenkins and Dussel Peters 2009: 15), such as it is the case of Mexico for which the Asian giant represents the greatest challenge of all Latin American countries.

The latter is not only in regard to the Mexican domestic market, but in the US market as well. In 2003, China became the second main exporter to the US, taking Mexico's place since then. Relations between China, Mexico and the United States have ever since been intertwined, and Beijing has appeared as a "threat" or a "concern" to its counterparts' interests (Wang 2013: 25). Such status has been conceived according to China's massive public policies, in addition to substantial direct ownership and control over property, a fixed exchange rate, a planned economy and highly controlled markets including trade, labor, services and capital, among others. Consequently, it is not expected that the fierce competition with (and displacement of) Mexico will change in the medium term (Dussel Peters 2009: 375), not even after the establishment of the aforementioned USMCA which, meanwhile, seeks to block Chinese commerce in North America.

In this respect, China has been particularly interested in developing a holistic and long-term strategy with the United States and Mexico and the debate over this triangular relationship has centered primarily on trade, investment, and national security, while Mexico's concerns have been largely economic in nature (Gallagher and Dussel Peters 2013: 13). This is because, based on Mexican statistics, China has become Mexico's second trading partner since 2003 after the United States (Dussel Peters 2009: 300). This tendency has continued up today as Mexico is LAC's largest importer from China. As a result, it is the Latin American country where tensions with China have been most acute (Jenkins and Dussel Peters 2009: 13), exacerbated recently by the commercial and technological competence, particularly between Washington and Beijing.

Because of the significance of the US market for Mexico, the effects of such competition on its trade dynamics have shifted substantially. Trading with China falling under the category of "direct threat" suggests that these trends will continue in the future (Gallagher and Dussel Peters 2013: 23), also in the digital sphere. Mexico has consistently had a large deficit in its trade with China, with a particular emphasis on the electronics industry (Jenkins 2009: 49) and today "there is no short-, medium- or long-term strategy with the Asian Giant" (Dussel Peters 2022). And so, although China's increasing economic power offers many opportunities to strengthen both their political and economic relationship, this is by no means a completely win-win situation. The burgeoning economic relationship between the two nations has in fact

proven to be a competitive and irregular one as well (Wang 2013: 27). Therefore, greater institutional measures are required to improve and deepen the bilateral relationship (Dussel Peters 2009: 378) that is evolving in the digital era.

Alongside Chile and Costa Rica, Peru is one of the three countries in the Latin American region that have a free trade agreement (FTA) with China –signed on April 28, 2009. According to data from the Chinese Embassy in Peru, the trade volume between the two countries in 2021 exceeded US\$37 billion, 60% more than in the pandemic-hit year of 2020. Products such as copper, fishmeal and blueberries lead this trade. The latter shows that despite Peru’s political instability, it remains one of China’s main allies in the region (Lo Lau 2022). Lima is willing to deepen cooperation in various fields between the two countries, accelerate the negotiations on upgrading the free trade agreement, and further improve the Peru-China comprehensive strategic partnership. In 2021, the Chinese State Councilor and Foreign Minister, Wang Yi, recognized Peru as the "front-runner" in relations between China and Latin American and Caribbean countries (Ministry of Foreign Affairs of the People's Republic of China 2021).

Consistent with most of its Latin American neighbors, Colombia has a trade deficit with Beijing. While its primary exports to the latter are commodities, including petroleum, coal, and iron, it imports a much broader range of high-value-added consumer and intermediate goods from China. As a result, its traditional industries have struggled to adapt to challenges from its bigger Asian trade partner. For instance, the textile industry has been particularly hit (Ellis 2022). Changes were made during 2020 to reach consumers and use digitalization to reach specialized markets beyond national borders. And so, many Colombian companies have accelerated the creation or consolidation of their e-commerce services and are hoping to further deepen trade links with China (ProColombia 2021). In this regard, during the sixth edition of the Dialogue China-Colombia the Colombian Minister of Trade, Industry and Tourism, German Umana, spoke with optimism about the relationship with Beijing and how the Pacific Alliance countries have been working together under the umbrella of this trade bloc to have a more organized position in regard to China (Held 2022). It is expected that the Alliance plays a key role in promoting sectors such as e-commerce, for which the project of the regional digital market will be crucial.

#### **Part 4. Conclusions: Closest to China, Further Away from the Regional Digital Market?**

The design and institutional framework of digital agendas in LAC has advanced in recent years. However, there are still some characteristics that could be strengthened particularly in areas such as the protection of the consumer, personal data protection, digital identity, digital payments, digital values, transport and logistics standards, and tax regimes. This problem has to do with the lack of a single recognized and accepted definition of digital trade. The reference to digital trade or e-commerce indistinctly places the countries in the position of interpreting the concept at their convenience. And so, in several cases the approach to all the elements involved in the dynamics of digital trade can be very poor. Such as it is the case of the Pacific Alliance's Additional Protocol to the Framework Agreement that limits the understanding of e-commerce to the exchange of digital or physical goods and services acquired electronically.

The simple detail of the type of transaction in question (digitally ordered and/or digitally delivered) completely alters the understanding, classification and measurement of digital trade and so it should be precise when planning to harmonize regulatory frameworks in the field. This is relevant for the regional integration projects in Latin America since the heterogeneity in the adoption of regulatory frameworks has been a major obstacle for the region. And so, LAC has made little progress in the regulatory and legal environment to enable digital trade. To address this problem, the Pacific Alliance seeks to establish a regional digital market that will standardize regulations for digital trade. Unfortunately, its freedom to do it is conditioned by its economic dependence. Therefore, its most developed set of e-commerce norms are based on the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the United States-Mexico-Canada Free Trade Agreement (USMCA), both promoted by the US.

Such similarity to the referred agreement is not surprising as Chile, Mexico and Peru are signatories to the CPTPP while Mexico is member of the USMCA. This, on the one hand, shows that the tendency of importing regulations, mostly from the US, has also extended to the digital sphere. On the other hand, it reflects the persistent economic dependency on the Pacific Alliance on the US and the alignment to the model that Washington wants to implement as the global pattern in the competition for digital trade governance. In this regard, it is worth noting that despite the preeminence of the US, Chinese digital commerce has penetrated the Latin American digital market, even though China has very few free trade agreements with the countries of the region and is not part of either the CPTPP or the USMCA.

China's dominance in applied technologies has allowed it to get closer to the Latin American region and to play a leading role in setting standards for digital trade, shutting out the competition with the US. One of the particularities that differentiate the two superpowers is that Beijing's intervention has so far been much more discreet than Washington's as it has approached LAC using the rhetoric of "South-South" cooperation. The US administration's lack of interest in LAC is allowing the Asian giant to reinforce its relationship with the region. And so, China is taking advantage of its huge e-commerce market and its foodmark is increasing with a particular emphasis on the Pacific Alliance countries. The Chinese presence

in the bloc has accentuated the declining trend of its intraregional trade in a wide range of industrial sectors and the asymmetries in power and autonomy among them are letting its members behind.

Although digitalization is changing the China-US-LAC triangular relationship, the overall level of commercial interchange between the three actors is only expanding in a much more asymmetric way. The US is still the key player, but in recent decades trade with China has turned into a growing deficit in their bilateral exchange and has given it the capability to determine the interregional trade dynamics. The PRC has worked to re-orient its digital economy advantage and LAC has emerged as a key focus of Beijing's efforts, particularly during the pandemic that accelerated the boom of e-commerce in the Latin American region. China's successes in the region follow an ambitious, well-calculated strategy that combines political impulses with economic resources. As a consequence, Latin America is facing the exponential expansion of Chinese e-commerce and fundamental changes are being incorporated into its commercial dynamics.

Despite Beijing's rhetoric about complementarity between trading partners, the structure of its trade with Latin America is characterized by asymmetries. China's e-commerce sector has demonstrated an explosive growth momentum and its cross-border e-commerce has become a new engine of its economic development. While in Latin America the digital transformation has been moderate as it has one of the lowest levels of intraregional trade worldwide. In this vein, the Pacific Alliance's roadmap for a regional digital market has been presented as an opportunity to boost the digital transformation of the region. But not all countries are equally prepared to compete successfully in the digital economy. Among the bloc, digital trade appears as a new phenomenon that governments are not sure how to confront and, as mentioned before, they have been importing models from the outside to regulate a dynamic determined by the Chinese superiority in the field of e-commerce.

In this regard, with new digital consumers gaining access to e-commerce, the Latin American region, and particularly the Pacific Alliance, is a blue ocean market for China. Since LAC is proximate both to Washington's and Beijing's zone of influence and Latin American countries are economically dependent on the superpowers, the development of a regional digital market could be, in fact, hampered. There is no doubt that the Pacific Alliance's project could be materialized, but it is still a vulnerable proposal that advances slowly in comparison to China's strategy to maintain its dominance in the global digital market, especially because in recent years e-commerce has become an indispensable part of its economy. Then, it is possible to conclude that China represents more of an obstacle than an opportunity for the regional digital market.

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