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Building “North America” through digital commerce

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In 2006 -more than 16 years ago-, amidst the bird flu, Jeffrey Staples published an article in Harvard *Business Review* stating that a pandemic could become the single greatest threat to business continuity¹. That prediction took solid form with the COVID 19 pandemic across all three countries in North America. In Mexico, the pandemic impacted thousands of micro, small, and medium-sized enterprises (MSMEs), for example, which comprises 95% of the businesses in the country and employ 68% of the working population.

Over two years after the Covid-19 global pandemic started, it is now possible to assess with more detail the impact it had and will continue to have on the productive sector. Effects can be seen on employment, income and spending rates, drastic drops in consumption, sharp changes in daily habits and important changes in the way commerce is and will be conducted going forward.

In Mexico, for example, the National Institute of Statistics and Geography (INEGI) found that in 2020 more than one million MSMEs disappeared, resulting in the loss of over 3.2 million formal jobs.

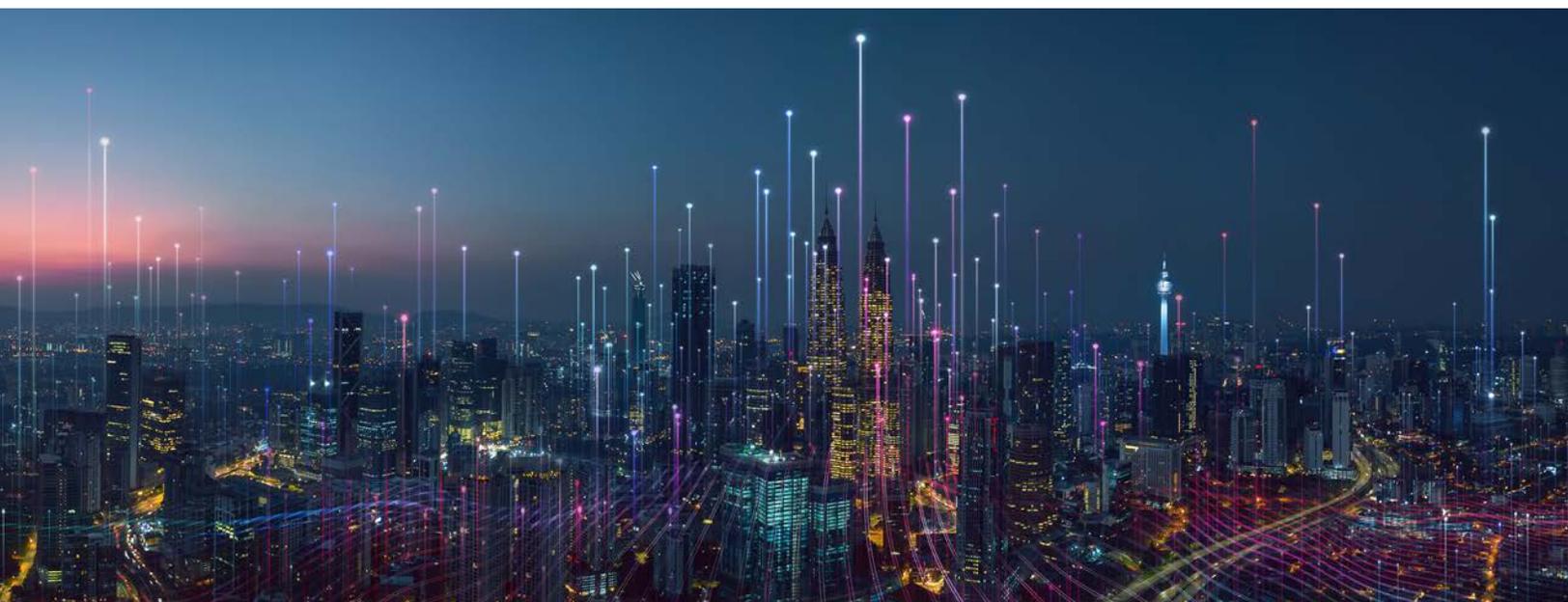


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In the face of these challenges, resilience and adaptation have been key factors in navigating the current circumstances. Not only small businesses suffered. Large institutions and companies needed to strengthen their digital strategies. Digitalization, previously an often-missed business opportunity, became key to survival and economic recovery of small enterprises.

According to the Mexican Association of Online Sales, total retail e-commerce sales in Mexico amounted to 401.3 billion pesos in 2021, a growth of 27% compared to the previous year. Electronic commerce now represents 11.3% of total retail sales. Moreover, for the third consecutive year, Mexico is among the top 5 countries with the highest growth in e-commerce retail activities, along markets such as India, Brazil, Russia, and Argentina².

Undoubtedly, one of the greatest lessons that the pandemic has left is the importance of connectivity to keep economic activities running. This is the case across the continent. Electronic commerce has allowed business continuity and opened multiple

possibilities, including for SMEs and MSMEs in the context of economic recovery. This is extremely important for the goal shared by the three governments in North America of trying to include more of their workers in the benefits of trade and commerce through the implementation of the US-Mexico-Canada trade agreement (USMCA) which came into force in 2020.

For all three North American economies, technology has become a more powerful a vehicle for efficiency and security in the commercial exchange and attracting new clients, offering low-cost services, receiving feedback, and strategically displaying their products.

Again, using Mexico as an example, in the *Radiography of Entrepreneurship 2021* report, the Mexican Entrepreneur Association (ASEM) points out that 36% of small and medium-sized Mexican companies established their digital presence in 2020, and 74% did so without the help of an expert³. One of the key factors that enabled it was an easy and fast implementation of digital platforms that allow MSMEs to be self-sufficient in their digital



transformation. This has become a commitment of Meta, for example.

Micro, Small and Medium Sized Enterprises (MSMEs) now have even greater potential to participate successfully in both national and international trade, with significant benefits for job creation and inclusion of previously excluded parts of the population. Deloitte's Dynamics Markets research showed that 64% of exporting SME's that use Facebook apps reported they are helpful for making international sales, and 94% of people who use Facebook apps agree they are a fast way to contact small businesses⁴.

Traditional patterns used by a small number of larger companies to drive international trade have been altered thanks to digitization and digital inclusion. According to the American Chamber of Commerce of Mexico, 2 out of 10 businesses make digital sales outside of Mexico: 35% of the total, being the United States the country with the highest sales. Meta, through its platforms, has allowed small companies to access a larger market and join international value chains. 6 out of 10 exporting companies in Mexico used and consider Meta applications useful for these purposes⁵.

Unquestionably, the negotiators who hammered agreement on the USMCA and those now charged with implementing it, saw the great potential of digital trade. That is why This is why UMCA's Chapter 19 prioritizes the strengthening of digital trade across the region. Moreover, the USMCA is the first trade agreement in the world that includes a chapter dedicated to digital trade.

The three governments have given focused attention to promoting digital trade, to enhancing the participation of SME's in North American commerce and to focusing on the kind of capacity building and workforce development training

that can help SMEs and MSMEs enter the continental market place. They are doing this in the implementation of USMCA as well as in the work of the US-Mexico High Level Economic Dialogue and as part of the work agenda from the North American Leaders Summit held in November 2021.

Of course, large companies are digitalizing too, and they are becoming more and more dependent on smooth digital networks to power manufacturing as well as commerce. They have a great deal to gain with enhanced digital trade across North America.

But this new phase of trade in North America opens doors to entrepreneurs previously excluded. This is true for small and medium businesses in all three countries. And particularly for Mexico which has many micro and small businesses, many of which function now in the informal sector, this new era of digital trade in North America provides the possibility of establishing optimal conditions to integrate small and medium-sized entrepreneurs into the continental and even the global economy.

USMCA's Chapter 19 opens opportunities for North America to go from productive to digital integration for much wider swaths of each country's population. Combined, the effects of a new era of digital connectivity can put the region on a new level of competitiveness while more equitably spreading the prosperity that trade and commerce can generate.

In Meta we celebrate and support these international provisions that will enable a strong environment for companies to keep offering services for Mexican MSMEs to market both their products and services online throughout North America while benefiting from multiple channels and the new trade agreement.



Endnotes

1. Preparing for a Pandemic, published May 2006, by Harvard Business Review. <https://hbr.org/2006/05/preparing-for-a-pandemic#post5>
2. Online sales study The Mexican digital consumer, published in 2022 by AMVO <https://www.amvo.org.mx/estudios/estudio-sobre-venta-online-en-mexico-2022/>
3. Entrepreneurship Radiography 2021, published in 2022, by ASEM. <https://asem.mx/investigacion/>
4. Dynamic Markets Unlocking small business innovation and growth through the rise of the personalized economy, published May 2021, by Deloitte <https://metapolicyresearchdashboard.com/build-experience/surveys/SV-2021-DYNAM/collateral>
5. Dynamic Markets Unlocking small business innovation and growth through the rise of the personalized economy, published May 2021, by Deloitte <https://metapolicyresearchdashboard.com/build-experience/surveys/SV-2021-DYNAM/collateral>





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STRENGTHENING NORTH AMERICAN TIES – A Must For Competitiveness

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