**Faithfulness Score**: 100/100 - Excellent

# Regulatory Roadmap for Enhancing Digital Trade in Mercosur

**Date**: 2018-10

**Location**: Mercosur (Southern Cone of South America)

## Executive Summary

The report “Fueling Digital Trade in Mercosur: A Regulatory Roadmap” by Kati Suominen highlights the rapid growth of digital economies within Mercosur, where online sales have outpaced traditional trade. Brazil leads Latin America in e-commerce, while Argentina and Uruguay are emerging as startup hubs. However, most digital transactions remain domestic, hindered by inconsistent regulations across member countries regarding data privacy, taxation, and online services. The report emphasizes the need for regulatory coherence to facilitate cross-border digital trade, particularly for small and medium enterprises (SMEs). Key recommendations include creating interoperable regulations, modernizing customs procedures, and fostering public-private partnerships to enhance digital skills and access to finance. Establishing a regional Digital Dialogue is proposed to align policies and promote a vibrant digital market, ultimately driving economic growth and job creation in the region.

## Characteristics

* Mercosur has emerged as a digital leader in Latin America, with significant growth in e-commerce, particularly in Brazil and Argentina.
* The region’s digital trade is still primarily domestic, highlighting the need for regulatory coherence to facilitate cross-border transactions.
* Key challenges for small businesses include access to finance, logistics, customs procedures, and complex digital regulations.
* Improving the regulatory environment could boost revenues and exports by nearly 30% annually for Mercosur companies.
* Recommendations include creating smart digital regulations, modernizing customs procedures, and fostering public-private partnerships for skills development and finance.

## Actors

| Category | Actors |
| --- | --- |
| Political Actors | Inter-American Development Bank; Mercosur governments; Regulatory bodies |
| Research and Innovation Actors | Kati Suominen; Academic institutions |
| Economic Actors | SMEs (Small and Medium Enterprises); Digital companies; Online sellers; E-commerce companies; Private sector; Export promotion agencies; Technology companies; Digital service providers; Logistics companies; Financial institutions |
| Civil Society Actors | Consumers |

## Main Themes

| Themes | Sub-category |
| --- | --- |
| Digital Transformation & Strategy | Digital Trade |
| Digital Transformation & Strategy | Digital Policy |
| Digital Transformation & Strategy | Digital Regulation |
| Digital Transformation & Strategy | Digital Ecosystem |
| Technology & Innovation | ICT Innovation |
| Technology & Innovation | Cloud Computing |
| Data & Governance | Data Protection |
| Data & Governance | Data Privacy |
| Data & Governance | Digital Rights |
| Data & Governance | Cybersecurity |
| Inclusion & Social Development | Digital Inclusion |
| Inclusion & Social Development | Digital Education |
| Regional & International Cooperation | Bi-regional Cooperation |
| Regional & International Cooperation | Global Digital Cooperation |

### Main Themes Description

* **Digital Transformation in Mercosur**:
  + Mercosur countries have emerged as digital leaders in Latin America, with significant growth in e-commerce outpacing traditional trade.
  + Brazil accounts for 60% of Latin America’s e-commerce, while Argentina has produced successful tech startups like Mercado Libre.
* **Need for Regional Integration**:
  + Most digital sales remain domestic; regional integration is essential for scaling e-commerce across borders.
  + Regulatory coherence is lacking, with differing national regulations on data privacy, taxation, and online services hindering cross-border trade.
* **Regulatory Roadmap for Digital Trade**:
  + The report outlines a roadmap for policymakers to enhance digital trade, focusing on frameworks that support SMEs in e-commerce.
  + Recommendations include creating smart digital regulations, mutual recognition of online service providers, and modernizing customs procedures.
* **Challenges for SMEs**:
  + Small businesses face significant barriers, including access to finance, logistics, customs procedures, and complex digital regulations.
  + Regulatory concerns include IP protections, taxes, and legal liabilities, which disproportionately affect smaller firms.
* **Impact of Digital Regulations**:
  + Improving digital regulations could increase revenues and exports by nearly 30% annually for Mercosur companies.
  + Companies report that removing top regulatory constraints could lead to substantial revenue gains in both domestic and international markets.
* **Importance of Internet Access**:
  + Internet connectivity is crucial for productivity; companies that sell online are more likely to export and grow faster.
  + A significant percentage of firms believe that limiting internet access would severely impact their productivity.
* **Logistics and Customs Issues**:
  + Inefficient customs procedures and high logistics costs are major obstacles for cross-border e-commerce.
  + Recommendations include simplifying customs processes and improving logistics services to facilitate trade.
* **Public-Private Partnerships for Skills Development**:
  + There is a need for training programs to help SMEs develop digital skills and navigate e-commerce.
  + Innovative funding mechanisms, such as social impact bonds, could support these initiatives.
* **Establishing a Digital Dialogue**:
  + A proposed “Digital Dialogue” would facilitate ongoing discussions between governments and the private sector to shape effective digital regulations.
  + This dialogue aims to create a collaborative environment for addressing regulatory challenges and promoting digital trade.
* **Future of Digital Trade in Mercosur**:
  + The report emphasizes the urgency for Mercosur governments to harmonize regulations to foster a vibrant digital economy.
  + Successful integration and coherent regulatory frameworks are vital for competing in the global digital marketplace.

## Practical Applications

* Brazil’s data protection law, Lei Geral de Proteção de Dados (LGPD), which passed in 2018 and will go into effect in 2020, requires companies to comply with strict requirements related to the processing of personal data.
* Argentina is finalizing a data protection draft bill that has been open to public consultation, aiming to establish a good international data transfer regime.
* Brazil’s Marco Civil da Internet, approved in 2014, defines Internet users’ rights and includes a “safe harbor” provision that limits the responsibility of Internet service providers for third-party content.
* Uruguay has a data protection law in place since 2008, which requires companies capturing personal data to register and provide privacy policies.
* The Chile-Uruguay Free Trade Agreement includes provisions for interoperable electronic signatures, acceptance of electronically filed trade documents, and cooperation on consumer protections online.
* Brazil’s Apex has created training programs for SMEs to use ecommerce to export.
* Chile’s export promotion agency ProChile has comprehensive “Digital Exports” seminars on ecommerce, digital marketing, and international promotional campaigns.
* Mexico’s export promotion agency Proméxico has organized seminars and training for SMEs on digital marketing strategies and online sales.
* Uruguay’s export promotion agency Uruguay XXI has a Proexport+ program that supports both new and existing exporters with funding for product development and market research.
* The Exporta Fácil program in Latin America simplifies customs clearance for SMEs for shipments typically weighing less than 30 kilograms and valued under US$5,000.
* The proposal for a “Trusted eTrader” program aims to facilitate and secure trade by fast-tracking customs for SMEs that consistently comply with trade regulations.
* The establishment of a Digital Dialogue (Dialogo Digital) to bring together government officials and businesses quarterly to discuss regulatory frameworks and digital economy benefits.

## Commitments

* Brazil’s data protection law, Lei Geral de Proteção de Dados (LGPD), passed in 2018, will go into effect in 2020.
* Mercosur companies estimate that improving digital regulations would enable them to increase their revenues and exports by almost 30 percent annually.
* If the top-3 constraints to doing ecommerce were removed, Mercosur companies would score annual revenue gains of 34 percent in their domestic markets and 35 percent in international markets.
* A “Trusted eTrader” program could incentivize SMEs’ trade compliance through simplified and digitized trade compliance, allowing SMEs that consistently comply for a period of 18 months to become Trusted eTraders whose shipments are fast-tracked through customs.