Readiness to create and capture value in the digital economy in Latin America and the Caribbean under COVID-19

Nanno Mulder
Chief, International Trade Unit

UN-ECLAC
Latin America has reached a 100% mobile penetration rate of adults, but internet penetration is about 50%.

Domestic parcel traffic increased exponentially, but cross-border traffic stagnated; Only 15% of the population shopped online.

Source: UPU data and UNCTAD (2019).
During the COVID-19 pandemic, domestic e-commerce has grown fast.

Panel A: Growth in Mercado Libre’s orders and buyers, 2020

Panel B: Online sales of PayU’s businesses, 2020

Source: Mercado Libre and PayU.
In contrast, partial evidence shows a decline in cross-border e-commerce in the region during the pandemic.

Panel A: E-commerce merchandise imports, Brazil

Panel B: Cumulative e-commerce merchandise imports, January-August 2019 and 2020 (parcels)

Source: Special Department of Federal Revenue of Brazil, Ministry of Economics and Uruguay National Customs Directorate.
LAC faces major challenges in its e-readiness. One of these is the low performance of postal services.


Panel B: Percentage of operators providing APIs

Sources: UNCTAD (2020) and 2017 UPU digital postal services survey, as reported in UPU (2020).
Countries in LAC show a large heterogeneity regarding readiness for e-commerce

Panel A: Digitalization of businesses in selected LAC countries, 2018

Panel B: Digitalization of businesses’ supply chain

Sources: Telecom Advisory Services et al. (2020) based on local sources and UNCTAD
Conclusions

✓ Pandemic has boosted domestic e-commerce, whereas cross-border traffic has fallen

✓ Improving internet access and efficiency of logistics networks, broadening access to electronic payment methods, and strengthening businesses’ e-readiness remain challenges

✓ Some governments in the region have introduced support measures for e-commerce to facilitate internet access, logistics, border controls, business readiness, payments

✓ There are large differences in the extent to which policy responses are embedded in medium-term national strategies to develop e-commerce and digital trade

✓ LAC is little prepared to capture value: few unicorns, e-entrepreneurs, specialized human capital, few specific taxes and national strategies