

## **E-COMMERCE CONNECTING CHINA AND LATIN AMERICA VIA DIGITAL SILK-ROAD**

### **COMERCIO ELECTRÓNICO CONECTANDO CHINA Y AMÉRICA LATINA A TRAVÉS DE LA RUTA DE LA SEDA DIGITAL**

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### **Abstract**

Latin America is the natural extension of the “Maritime Silk Road” and its exchanges and cooperation with China have become increasingly frequent in recent years. Under the current globale conomic backdrop, e-commerce as an emerging industry is gaining momentum and playing a bigger role in international cooperation. The Belt and Road top-level design features policy coordination, unimpededtrade, facilities connectivity and people-to-people bond respectively, which play a guiding role in China-LAC cooperation. Coupled with the status quo, the paper will mainly focus on these four sections so as to better analyze the China-LAC cooperation in Silk-Road E-commerce. This paper intends to analyze China-LAC e-commerce cooperation in fields of policy, trade, facilities, and people-to-people contact and study in which areas still remain room for bilateral cooperation and how can both sides better achieve win-win results under the framework of China’s “Belt and Road Initiative”.

**Keywords:** Silk-Road E-commerce, China-LAC Cooperation, Policy Coordination, Unimpeded Trade, Facilities Connectivity, People-to-people Bond

## Resumen

América Latina es la extensión natural de la “Ruta Marítima de la Seda” y sus intercambios y cooperación con China se han vuelto cada vez más frecuentes en los últimos años. En el contexto económico mundial actual, el comercio electrónico como industria emergente está cobrando impulso y desempeñando un papel más importante en la cooperación internacional. El diseño de alto nivel de la Franja y la Ruta presenta coordinación de políticas, comercio sin trabas, conectividad de instalaciones y vínculo entre personas, respectivamente, que desempeñan un papel rector en la cooperación entre China y ALC. Junto con el statu quo, el artículo se centrará principalmente en estas cuatro secciones para analizar mejor la cooperación entre China y ALC en el comercio electrónico de la Ruta de la Seda. Este documento tiene la intención de analizar la cooperación en comercio electrónico entre China y ALC en los campos de política, comercio, instalaciones y contacto entre personas y estudiar en qué áreas aún quedan espacios para la cooperación bilateral y cómo ambas partes pueden lograr mejores resultados en los que todos ganan en el marco de la “Iniciativa de la Franja y la Ruta” de China.

**Palabras clave:** Comercio electrónico de la Ruta de la Seda, cooperación entre China y ALC, coordinación de políticas, comercio sin trabas, conectividad de instalaciones, vínculo entre personas

## Introduction

The world is currently undergoing complex changes towards multipolarity. In order to follow the global trend, China has proposed the “Belt and Road Initiative”. Latin America, as the natural extension of the “Maritime Silk Road”, is one of the best partners of the “Belt and Road Initiative”. Therefore, the overall cooperation between China and Latin America is particularly important in this context. In the past few years, China and Latin America have held several China-CELAC forums to study and discuss how to build relations in the new era; in 2015, China opened the Internet plus development model; in 2016, China and Chile signed a memorandum of cooperation on e-commerce, opening the door to e-commerce on the Silk Road between the two countries. In the post-pandemic era, regional cooperation through the Internet has gradually become one of the important ways of overall cooperation. With the Internet and the BRI as the backbone, structural reforms as the driving force, and regional integration as the support, China-Latin America cooperation has shown a positive trend. However, in the face of global uncertainties, such as complex geopolitics, unbalanced regional economic growth, transportation and logistics constraints, the overall cooperation between China and Latin America based on e-commerce is in a situation of both opportunities and challenges.

First, according to Zhang Xiaoheng<sup>1</sup>, Silk-Road E-commerce is a kind of cross-border e-commerce, and cross-border e-commerce refers specifically to cross-border e-commerce platform enterprises, including both third-party cross-border e-commerce platforms and self-built ones. In cross-border e-commerce transactions, cross-border e-merchants are pivotal in trading activities, which is both a medium for displaying and browsing commodities and a place for reaching transactions of commodities, playing the role of bridging commodity supply and consumption. At the same time,

cross-border e-commerce is also a platform for communication and exchange among cross-border e-commerce transaction subjects, and it is an important element that cannot be abandoned in cross-border e-commerce transactions.

Latin America and the Caribbean is a natural extension of the "21st-Century Maritime Silk Road" and an indispensable and important participant of the "Belt and Road Initiative". "Silk-Road E-commerce" is an important initiative to promote the overall and standardized development of the "Belt and Road", and is new impetus for promoting the growth of China's foreign trade under the new situation. China and the countries along the "Silk-Road E-commerce" have a realistic foundation, but also faces certain challenges. While the global sudden outbreak of the Covid-19 pandemic in 2020 promoted the development of cross-border e-commerce, it also brought challenges to cross-border e-commerce. Faced with both challenges and opportunities, China and Latin America should work together, adjust timely and work on the strategic plan of China-Latin America cooperation to adapt to the current international situation, in order to achieve the common development of China-Latin America economy in the post-pandemic era.

According to the ideas above, the study aims to analyze the current situation and dig out the potential value of cross-border e-commerce between China and Latin America under the framework of Belt and Road Initiative. By using data studies, content analysis and induction, the study finds the great potential for further development and cooperation between China and Latin America. This study will discuss views on four aspects: policy coordination, unimpeded trade, facilities connectivity and people-to-people bond.

### **Policy Coordination**

The Silk Road, which started from the West Han Dynasty, when Zhang Qian stepped forward and opened up such a road, has a long history and has continued to develop and extend to the present day. Since 2013, when President Xi Jinping proposed the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road", the Silk Road has been integrated with the development needs of today's times and transformed into a solution and paradigm of China for mutually beneficial cooperation among countries around the world. As a natural extension of the Maritime Silk Road, Latin American countries are very important partners for China. The integration of the "Belt and Road Initiative" and e-commerce to form Silk-Road E-commerce is a relatively recent development, and is still a very new topic that deserves to be explored and studied. The development of China-Latin America Silk-Road E-commerce cannot be achieved without the support of policies.

To look from a big picture, China and Latin American countries have had several friendly state visits and signed many relevant policy documents to guarantee bilateral trade and economic exchanges. First, the China-LAC Forum was established in 2015, which reflects the goodwill of both sides to promote the development of a comprehensive partnership between China and Latin America for equality and mutual benefit, and is an important platform for dialogue between China and Latin America. President Xi Jinping visited Ecuador, Peru and Chile and other Latin American countries from November 17 to

23, 2016, which is the third visit to Latin America after his presidency. In the view of Zhang Run, deputy director of the Department of Latin America of the Ministry of Foreign Affairs, the visit had four important outcomes. First, the visit further improves the layout of China-Latin America cooperation. The three countries visited are all strategic partners or comprehensive strategic partners of China, and the cooperative relationship is at the forefront. Second, the visit leads the development of China-Latin America relations. During the visit, President Xi Jinping upgraded the bilateral relations between China-Ecuador and China-Chile to a comprehensive strategic partnership, releasing a friendly signal to promote intentional cooperation between the countries and improve the network of relations in Latin America. Thirdly, it promotes the gear shift and speed up of China-Latin America cooperation. President Xi Jinping emphasized the importance of the new framework of "1+3+6" practical cooperation, namely, one plan as the goal, three engines as the driving force, and the promotion of industrial docking in six major areas, under which all the agendas of China and Latin America can be developed in a deeper and broader cooperation. Fourthly, it brings the people of China and Latin America closer together. China's commitment to increase the number of training places in Latin America in the next three years and the establishment of the China-Latin America Information Center, as well as the successful conclusion of the 2016 China-Latin America Year of Cultural Exchanges, all reflect the heartfelt and friendly relationship between the Chinese and Latin American people. This document covers a wide range of topics, including eight sections of politics, economy, society, humanities, international collaboration, security and justice, among which this new document gives high importance to the role of economic and trade cooperation. In the opinion of Wang Peng, associate researcher at the Institute of Latin American Studies of the Chinese Academy of Social Sciences, the China's Policy Paper on Latin America and the Caribbean has been updated in only eight years, making it one of the fastest regional policy documents to be updated. This reflects the rapid development of China-Latin America relations since 2008, especially since Xi Jinping became president, and the fruitful results achieved as a result. Zheng Meng<sup>2</sup> concluded that compared to the old document, the new one has a clearer policy philosophy toward Latin America: to build a community of destiny, to further develop the Five-sphere Integrated Plan, and to give full play to the role of overall cooperation between China and Latin America. From the above, the cooperation between China and Latin America shows a thriving and overall positive trend. Therefore, the development of Silk-Road E-commerce has a good development background and policy environment.

To narrow down and look from the perspectives of policies related to the cooperation in the field of e-commerce between China and Latin America, the development of China-Latin America Silk-Road E-commerce has also been supported by relevant documents. China has signed relevant Memorandums of Understanding (MOUs) in several Latin American countries. For example, on November 22, 2016, China and Chile signed the Memorandum of Understanding between the Ministry of Commerce of the People's Republic of China and the Ministry of Foreign Affairs of Chile on cooperation in the field of e-commerce to strengthen cooperation between China and Chile to provide a favorable development environment for e-commerce, encourage e-commerce cooperation between enterprises of the two countries, and promote the sustainable and stable development of bilateral trade. On September 7, 2017, China and Brazil signed the Memorandum of Understanding on E-Commerce Cooperation between the Ministry of Commerce of the People's Republic of China and the Ministry of Industry, Foreign Trade and Services of the Federative Republic of Brazil. The two sides will establish an e-

commerce cooperation mechanism, create a mutually beneficial development environment, and promote cooperation in e-commerce such as enterprise exchanges, professional training, and sharing of best practices. All these show that Latin American countries are willing to cooperate with China to promote the development of Silk-Road E-commerce together and promote the economic prosperity and growth of countries of both sides. Especially for Chile, with whom China has a great potential and feasibility for Silk-Road E-commerce in recent years. The Chilean government has adopted the Agenda Digital 2020, which focuses on investing in and developing the digitalization process in the region, improving the information and communication infrastructure through public-private partnerships, and enhancing the coverage and quality of Internet connections. This agenda guarantees the fundamentals of e-commerce development, as Internet communication is the basis for e-commerce operations. In addition, in October 2021, the mutual recognition arrangement between the Chinese and Chilean customs "Authorized Economic Operator " (AEO) was implemented, which is the first customs AEO mutual recognition arrangement officially implemented by China in South America. At the same time, for Chile, the country also has support for businesses. Article 3 of Law No. 20,416 - Special Provisions for Small Businesses<sup>3</sup> states that "the Deputy Minister of Economy, Development and Reconstruction will be responsible for generating coordination so that, together with the sectoral ministries, policies and development plans are formulated considering the particularities of smaller companies. Likewise, it will be responsible for promoting with its dependent or related services a general policy for the better orientation, coordination and promotion of the development of smaller companies, as well as to follow up on the respective policies and programs and generate the conditions for the access of these companies to useful sources of information, contributing to the better use of the promotion instruments available to them". This provision encourages the development of small companies and enterprises in Chile, guaranteeing their survival status, and in the context of e-commerce cooperation, this provision is able to motivate small businesses to cooperate and guarantee full coverage of B2B and B2C e-commerce models of cooperation.

From China's perspective, the country provides an excellent environment for the development of e-commerce. At the third session of the 12th National People's Congress on March 5, 2015, Premier Li Keqiang first proposed the "Internet plus" plan in his government work report. This plan combines the Internet, cloud computing, big data, Internet of Things, etc. with modern manufacturing industry to promote the development of web 2.0 and 3.0 of the Internet, which provides excellent technical development space for e-commerce platforms. This new development ecology gives full play to the advantages of the Internet and integrates the innovations of the Internet with the economy, trade, culture and other aspects. E-commerce is one of this kind of project of Internet plus traditional trade and achieves the effect of 1+1>2. In addition, China has launched the digital RMB. In Bao Jianyun's<sup>4</sup> opinion, as a representative of the sovereign digital currency of a large country, the digital RMB can become a means of denomination, payment and settlement for international trade, cross-border capital flow, cross-border industrial investment and play an important role as a reserve currency in the international community. The issuance, circulation and internationalization of the digital RMB can promote the RMB to assume the function of a currency "for the Chinese people and the people of the world". Building a cross-border digital RMB issuance and circulation platform with blockchain-based technology support is an important way to internationalize the RMB and a strategic measure to build a world sovereign digital currency system and reform the international monetary system. The digital

RMB plays a monetary support role for the Silk-Road E-commerce and provides a more convenient and secure payment method for people.

### **Unimpeded Trade**

Unimpeded trade is one of the Five-Pronged Approach of the “Belt and Road Initiative”. In the integrated cooperation between China and Latin America, both sides need to strengthen the unimpeded trade. According to the statistics of the World Bank, the total population of Latin America reached 652 million in 2020, with unique market size and potential. China and Latin America have great potential for cooperation in the field of trade and investment. China and Latin America should have discussions and make appropriate arrangements on the facilitation of trade and investment, eliminate trade barriers, reduce trade and investment costs, improve the speed and quality of regional economic cycles, and achieve the goal of mutual benefit and win-win.

The integrated cooperation between China and Latin America is inevitable, while the building of Silk-Road E-commerce between China and Latin America has a practical basis. First, economic interests are the driving force behind the development of the integrated cooperation between China and Latin America. In terms of trade, according to Wind Economic Database, the total trade between China and Latin America has increased from US\$14.94 billion to US\$216.56 billion from 2001 to 2016, with an average annual increase of 19.5%. In terms of investment, after the international financial crisis from 2008 to 2009, Chinese investment in Latin America increased rapidly. By the end of 2015, China’s direct investment stock in Latin America reached US\$126.32 billion. Latin America has become the second largest region with the highest concentration of China’s OFDI stock after Asia. The rapid growth of trade in goods between China and Latin American countries has provided the trading basis and conditions for the development of Silk-Road E-commerce.

Second, the concept of e-commerce has been popularized in China. Trade based on e-commerce platforms continues to develop, providing strong support for the development of Silk-Road E-commerce in the integrated cooperation between China and Latin America. As one of the foundations of e-commerce development, electronic payment is developing rapidly in China. According to the 48th Statistical Report on China’s Internet Development released by China Internet Network Information Center (CNNIC), as of June 2021, the total number of online payment users in China reached 872 million, with an increase of 17.87 million from December 2020, which accounts for 86.3% of the total number of netizens. On the basis of the rapid development of electronic payment, online shopping has been popularized. As of June 2021, the number of online shopping users in China reached 812 million, up 29.65 million from December 2020, which accounts for 80.3% of the total number of netizens. According to the data from National Bureau of Statistics, in the first half of 2021, the national online retail sales reached 6113.3 billion yuan, a year-on-year growth of 23.2%. As one of the giants of e-commerce platforms in China, Alibaba Group’s total domestic e-commerce revenue reached 473.6 billion yuan in fiscal 2021. At the same time, the number of monthly active users on the mobile clients of Alibaba Group’s online shopping platform has exceeded 900 million.

Meanwhile, China's cross-border e-commerce has developed rapidly, laying the trade foundation for the building of Silk-Road E-commerce. In the first half of 2021, China's cross-border digital trade continued to advance, leading to the deepening of international cooperation. In March 2021, the Ministry of Commerce and five other departments jointly announced to further increase the pilots of cross-border e-commerce retail imports. At present, China's cross-border e-commerce comprehensive pilot zones have been expanded five times, reaching 105 at the total number, covering 30 provinces, autonomous regions, and municipalities directly under the Central Government. At the same time, according to CNNIC<sup>5</sup>, in the face of the impact of COVID-19, collaborated with the normal operation of China EU trains, cross-border e-commerce provides convenient access for economic and trade cooperation among countries along the Silk-Road E-commerce. As of March 31, 2021, Alibaba Group served approximately 240 million overseas users in the past year.

Third, e-commerce has also been popularized to a certain degree in Latin America. The market potential of Latin America is enormous. It is estimated that in 2021, e-commerce retail sales in Latin America will reach US\$85 billion, and the total number of e-commerce users in Latin America will reach 298 million. In 2020, the sudden COVID-19 pandemic challenged the economic development around the world, and Latin America is no exception. However, not all businesses have been hit by COVID-19. Mercado Libre, an online shopping platform founded in Argentina, is one. Under the influence of pandemic prevention measures, many consumers have had to keep quarantine at home. At this point, online shopping has become a very safe way to buy wanted things. According to data provided by Mercado Libre, its net income for the first three quarters of 2021 reached US\$494 million. Mercado Libre is not the only e-commerce platform in Latin America that has developed rapidly during the COVID-19 pandemic. In 2020, 3 of the 10 countries with the largest growth in e-commerce retail sales were Latin American countries. Among them, Argentina topped the list with its high growth rate of 100.6%. Besides, many users will be more inclined to shop online in the post-pandemic era. According to a survey conducted in Argentina in 2020, about 92% of new e-commerce users tend to continue shopping online in the future. In countries such as Mexico, Colombia, Peru and Chile, the proportion also reached 90%, 86%, 83% and 82%, respectively. From this perspective, the potential of e-commerce development in Latin America is high.

In the integrated cooperation between China and Latin America, it is crucial to build Silk-Road E-commerce. However, there are many challenges in the process of building Silk-Road E-commerce in China and Latin America. First, the investment environment of Latin America is complex, with many factors of regional instability. According to Zhang and Ma<sup>6</sup>, Latin American countries vary widely in their economic development, and the financial and international systems are not yet sound. In some countries, financial systems are unstable, while financial institutions are imperfect. Currency exchange rates fluctuate greatly. Investing enterprises often have to bear a large risk of exchange rate fluctuations. Second, at present, there are problems with the management model of cross-border e-commerce enterprises in China, whose management system is not yet complete. According to Yang<sup>7</sup>, cross-border e-commerce trade has developed rapidly driven by improvements in information technology. However, cross-border e-commerce enterprises also face challenges while reaping huge economic benefits. Cross-border e-commerce enterprises are imposed higher requirements in many aspects such as enterprise transaction platforms, logistics warehousing and payment forms, based on

the rapid change of time and methods of international exchanges. On the other hand, low customs clearance efficiency and high operating costs have limited the scale and level of cross-border e-commerce trade to a certain extent and reduced the speed and efficiency of commodity circulation, which become important external factors limiting the development of cross-border e-commerce enterprises.

The sudden COVID-19 pandemic has posed a greater challenge for China and Latin America to jointly build Silk-Road E-commerce. On the one hand, China's economy has maintained steady growth thanks to proper government coordination. According to the communiqué of the National Bureau of Statistics, according to preliminary accounting, China's gross domestic product (GDP) exceeded 100 trillion in 2020, an increase of 2.3% over the previous year, which means the total economic volume reached a record high. According to the IMF report, China's economic growth will reach 8.4% in 2021 and will continue to be an important driving force for world economic growth. On the other hand, however, the lack of governance systems and governance capacity has caused a severe negative impact on the socio-economic development of Latin American countries. According to an April 2021 report by IMF, Latin America's economy contracted by 7% in 2020, which led Latin America to become the region with the worst recession around the world in 2020. According to the ECLAC report, the COVID-19 pandemic has affected Latin America's economy by five factors, namely, the decline in economic activity of major trading partners and the resulting impact, lower commodity prices, disruption of global value chains, weakening demand for tourism services, increased risk aversion among investors and deterioration of the world financial environment. The severe situation caused by the COVID-19 pandemic and the slow economic and social recovery in Latin America are not conducive to attracting investment, which negatively affects e-commerce cooperation between China and Latin America. In addition, after the outbreak of COVID-19, countries around the world have introduced travel bans and restrictions on people's movement and other pandemic prevention measures. The global industrial chain has been severely impacted. Many countries have shifted their governance priorities to pandemic prevention and control, leading economic cooperation to be temporarily placed on the back burner, which causes great impacts on unimpeded trade.

### **Facilities Connectivity**

#### *The significance of infrastructure*

Infrastructure is a prerequisite for all digital economies, and only through infrastructure can digital technology take hold. On the one hand, infrastructure covers conventional infrastructure, such as transportation and power grid. On the other hand, as Internet is enjoying its ever-growing popularity, innovative infrastructure is also on the rise, with information transmission systems taking the lead, including telecommunication networks, cable TV networks, radio communication networks, Internet and mobile networks. Especially in the cross-border trade of "Silk-Road E-commerce", logistics is an indispensable process among all, which directly determines the efficiency and feasibility of trade, and most importantly, infrastructure is one of the most powerful back-ups of logistics. From the outset of logistics, it is required to go through the steps of production, loading and unloading, transportation, storage, etc. It is a robust reflective of the significance of infrastructure that factories, highways, docks and warehouses are imperative.

Apart from this, infrastructure can be affected by numerous external factors to a great extent. For instance, if the world is viewed as a whole, during festival seasons, consumers always place a large number of orders, and the warehouse capacity will undergo a great test successively. During the pandemic, the sluggish economic situation has caused the loss of many jobs, the decreasing number of workers, and the laggard logistics, so that consumers could not receive goods in time.

### *The infrastructure application of "Silk-Road E-commerce" in China and Latin America respectively*

Over the past three decades, with the development of China's reform and opening up and urbanization, China has rapidly become the largest infrastructure market in the world. The Ministry of Transport of the People's Republic of China pointed out that since the reform and opening up, China has made great achievements in the building of transportation infrastructure. For example, by the end of 2017, the mileage of railways and highways in China reached 127,000 kilometers and 4.78 million kilometers respectively, which are 2.5 times and 5.4 times that of 1978. Among them, the mileage of high-speed railway and expressway has created a miracle from scratch to the first mileage in the world.

While at the same time, some problems have been uncovered, the most prominent of which is overcapacity. As China's infrastructure building has transitioned from a period of rapid growth in the past 40 years to a period of stable development now, it is expected that for a short term in the future, the needs of building expressways, high-speed rail, ports and airports in China will shrink bit by bit with the problem of overcapacity approaching. With reference to this, China has begun to dive into innovative infrastructure building and at the same time has increased cooperation with other countries, so as to better ensure smooth trade.

According to 2020 Statistical Bulletin of China's Outward Foreign Direct Investment<sup>8</sup>, in 2020, China's foreign direct investment in transportation, warehouse and postal services increased by 60.6% year-on-year, ranking third among all 18 industries, second only to the year-on-year growth rates of construction, health and social work, indicating that China has attached great importance to the construction of foreign infrastructure in recent years. In the "Silk-Road E-commerce", China has improved the transportation efficiency and automation of cross-border logistics by increasing the network infrastructure building at home and abroad, building a smart overseas warehouse system, and combining the development of new infrastructure with the increase of infrastructure structure with other countries.

In Latin American countries, the economic growth has always counted on the export of commodities and they do not have sufficient infrastructure building capacity. After being pummeled by the pandemic, the demand for commodities in many importing countries has decreased sharply, which has disclosed the problem of insufficient infrastructure building of Latin American countries. Especially in recent years, after clean energy gains its ground globally, the demand for commodities will not increase much in the long run and will even lead to a precipitous decrease in the short term. Therefore, Latin American countries have been vigorously promoting economic transformation. Through South-South cooperation, developing infrastructure vigorously can develop and interconnect Latin America's conventional facilities and communication networks at great extents, in a bid to directly promote the

economic growth of Latin American countries and assuage the dim economic situation affected by external factors.

After General Secretary Xi Jinping put forward the "the "Belt and Road Initiative"" in 2013, in the following years, Latin American countries respond toward it proactively. In January 2018, at the second ministerial meeting of the China-Community of Latin American and Caribbean States (CELAC) Forum held in Chile, China sent formal invitations to 34 Latin American countries, which kicked off the extension of the "the "Belt and Road Initiative"" to Latin America. The infrastructure building cooperation between China and Latin America have also ramped up after the signing of a formal agreement.

*The status quo of infrastructure building between China and Latin America countries and the development prospects of China-Latin America Cooperarion*

To start with, according to Bai Yu<sup>9</sup>, China's traditional infrastructure building in Latin American countries has achieved great success, among which are three most prominent sectors, leading by port facilities, hydropower station and UHV transmission network. These sectors have played a pivotal role in logistics during the process of Silk-Road E-commerce. In addition, information and communication network as one of the infrastructures can directly affect the economy. Vital as it is, information and communication network can connect consumers with e-commerce to go through the last checkpoint of "Silk-Road E-commerce", in which telecommunications is a way of communication, and telecommunications also includes mobile communication services. China's mobile communication business is highly developed, so is the communication equipment manufacturing industry. On November 1, 2019, China Mobile, China Telecom and China Unicom, the three major operators in China, officially released 5G commercial packages.

Immediately, more business giants joined. For example, Wan Jun<sup>10</sup> claims that Huawei and ZTE have successfully entered the field of high-end communication equipment manufacturing, and their influence in the world is colossal without saying. Therefore, Chinese businesses are capable enough to help Latin America build an information and communication network which can be a good fit in the "Silk-Road E-commerce". Many Latin American countries have chosen to cooperate with Huawei. The Argentine Ministry of Foreign Affairs<sup>11</sup> issued a statement in July 2020, saying that the Argentine government held talks with Huawei on the 7th of that month to discuss the possibility of applying Huawei 5G technology in Argentina. Argentine government officials said that Argentina plans to start using 5G technology in 2022 or 2023; Chilean President said in April 2019 that he welcomed Huawei's participation in Chile's 5G network building; Uruguay also signed a memorandum of understanding on strategic cooperation with Huawei in August 2019.

However, while China and Latin America are facing opportunities in infrastructure building, challenges are not far from the sight. For instance, United States has frequently backlashed Huawei's technology, which can incite Latin American countries to take hostile attitude towards Huawei. Therefore, intervention of external forces and the like are the challenges China has to face. Fortunately, most Latin American countries have stuck to their position and chose to cooperate with Huawei. For example,

Brazil, a country whose one third of its 4G operating networks are in the use of Huawei equipment. They are aware that if Huawei products are banned, the equipment that has been put into use will be dismantled, and operators will suffer a lot of losses inevitably. This is the clear-cut testimony of the great efforts made by China and Latin America in building an information and communication network in terms of "Silk-Road E-commerce".

Nowadays, clean energy has gained an ever-growing popularity. At present, at least 14 Latin American countries have set renewable energy targets. China has also delivered its commitment to achieve carbon peak by 2030 and carbon neutrality by 2060. The demand for energy is urgent in the whole process of "Silk-Road E-commerce". Hence, China and Latin America have made great efforts in the infrastructure building of clean energy to ensure the sustainability of "Silk-Road E-commerce". Over the past decade, the numbers of annual clean energy installations funded and financed by China have generally been creeping. Yan Huan, Fan Jianqing, Li Qiang, Wang Xiaobo<sup>12</sup> concluded that the large-scale hydropower project of Santa Cruz River in Argentina kicked off in October 2015. The project took place at the southernmost part of the world and was undertaken by China. The total designed installed capacity of the project was 1,740 MW, and the planned construction period was 5 years. The contract value of the project was about 5.5 billion US dollars, of which 85% of the financing came from China. After completion, it would greatly improve the power supply shortage in Argentina. What's more, there is cooperation of nuclear power plants. In November 2014, CNNC and Argentina Nuclear Power Company formally signed the Commercial Contract of Argentina Heavy Water Reactor Nuclear Power Plant and the Framework Contract of Pressurized Water Reactor Nuclear Power Plant, and the two sides cooperated to build the fourth and fifth nuclear power plants in Argentina. On April 25, 2019, BRI International Green Development Coalition<sup>13</sup> was formally established, aiming at promoting a green "Belt and Road Initiative" and helping to achieve the United Nations Sustainable Development Goals in 2030. Cuba and Guatemala are founding partners in this case. It can be seen that clean energy infrastructure building between China and Latin America has been at the forefront for a long time. As the demand for clean energy is growing, there will be more infrastructure projects for "Silk-Road E-commerce" between China and Latin America in the future.

### **People-to-people Bond**

*The meaning of "People-to-people Bond" at the new era*

"People-to-people Bond" is a significant component of the five-prolong approach. In September 2013, during the state visit to Kazakhstan, President Xi Jinping delivered a speech at the Nazarbayev University. In his speech, Xi Jinping<sup>14</sup> proposed the concept of "People-to-people Bond". Later, during the visit to Indonesia in October 2013, President Xi<sup>15</sup> outlined the essence of "People-to-people Bond", namely, "pursuing trust and harmony, promoting win-win cooperation, helping each other mutually, connecting people heart-to-heart, staying committed to openness and inclusiveness". To make a conclusion, "People-to-people Bond" aims to build a bridge between two countries, connecting people of both sides. By enhancing mutual understanding, building sound friendship, deepening mutual trust and confidence and building a long-term mechanism for cooperation, both sides can achieve win-win development.

People-to-people Bond provide an anchor for the “Belt and Road Initiative” and it is a decisive factor in China promoting international cooperation of all kinds. At present, the world is facing an intertwined impact of great changes that have never been seen for a century and the global pandemic, which has made global economic and social development unstable. Besides, though the world’s main anthem is still peace and development, hesitations and doubts towards it remain. Adding deliberate misleading words of some media, trust, and confidence toward China, and willingness to cooperate has shown a sign of receding in some countries and regions. As President Xi Jinping has pointed out the key to state-to-state cooperation lies in the people-to-people connection, in order to achieve policy coordination, connectivity of infrastructure and facilities, unimpeded trade, and financial integration, a nation should get support of people. To this end, it’s necessary to encourage friendly exchanges between people of both sides and enhance mutual understanding. Over the years, the “Belt and Road Initiative” has achieved fruitful results, showing that where people on both sides are closely linked, cooperation goes a long way.

### *The practice of “People-to-people Bond” in cross-border e-commerce*

The outbreak of the Covid-19 pandemic has had huge impacts on the world’s politics, economy, and society, posing mounting challenges to countries and regions. People are the foundation of a nation. If people’s wellbeing is being hit, its influence will ripple to every aspect of society. According to data of 2021 released by the United Nations<sup>16</sup>, global unemployment remains at alarming levels, and some vulnerable regions that are already underdeveloped and unevenly developed are losing heavily in this international health crisis. However, at the same time, great changes brought by the pandemic have driven a transformation and creation of new business models in different industries. As the virus has limited the social distance, online business modes have been developing rapidly. The digital economy has become a boom and a variety of new business formats have emerged, during which time e-commerce has seized the chance to grow. Featuring the requirement of keeping social distance and the advantage of zero space-time lapse, e-commerce has played a prominent role in ensuring people’s living standards, stabilizing employment, tackling the overstock of goods. And in the post-pandemic times, e-commerce was the first to recover. By boosting consumption, it has been driving the economic and social recovery of the whole nation. For consumers, e-commerce has solved the travel difficulties in the pandemic times, providing goods that are available at people’s fingertips; for employees, while the e-commerce industry growing bigger and stronger, it also has created many jobs; for businesses, e-commerce is more efficient as it is free from the constraints of time and. In general, if it is put into good use, e-commerce has a positive effect on improving social and people’s wellbeing.

### *How China’s e-commerce works on people’s lives*

Currently E-commerce in China is gaining good momentum and has become an important part of the digital economy that is the largest in scale, the fastest in growth rate, the widest in coverage, and the most active in entrepreneurship and innovation. Besides, it is also an important driving force for the integration and development of the real economy and the digital economy. Since the signing of the first bilateral MOU on e-commerce cooperation between the Ministry of Commerce of China and the Ministry of Foreign Affairs of Chile at the end of 2016, Silk-Road E-Commerce has spread across five continents. So far, 22 countries have signed MOUs and established bilateral cooperation mechanisms with China, among which 17 of them are developing countries. Silk-Road E-Commerce has proposed

innovative methods for international exchanges, and it has shown great vitality and posed a promising development scenario.

In the new developing stage, China needs cross-border e-commerce to be the driver. China is a populous country with 1.4 billion people. The large population makes China an attractive and competitive consumer market. In the new stage of development, the principal conflict facing Chinese society in the new era has changed to a conflict between unbalanced and inadequate development on the one side and the people's ever-growing desire for a better life on the other. People's demand for goods does not merely stay in quantity but in richness and quality. By building a platform to gather products from around the world, cross-border e-commerce has a unique advantage on the supply side. Besides, China's new "dual circulation" development pattern also needs e-commerce to play its unique advantage of innovation-driven and efficiency advantages to improve resource allocation, help to integrate different services including education, health care, cultures, tourism, and so on, inclusively take development requirements of different regions into account of the, and facilitate the upgrading and transformation of global supply chains.

Chinese e-commerce always puts people at the center. By the end of 2020, China achieved the elimination of extreme poverty with 770 million rural poor living below China's poverty line have gotten rid of poverty. The unbalanced development between regions has been greatly improved. E-commerce has played an important role in poverty alleviation. By building an online platform, e-commerce breaks down spatial barriers and brings out quality goods that used to be hidden in remote places, making them available to a wider range of consumers. According to the Ministry of Commerce of China<sup>17</sup> the national rural network retail sales reached 1.79 trillion yuan in 2020, an increase of 8.9% year-on-year on a comparable basis. In international cooperation, China has been sharing its experience in poverty reduction also providing the world with Chinese solutions to the problems of poverty and uneven regional development. During this process, the digital economy has facilitated regional and country development.

Chinese e-commerce companies are well developed, have a large business scope, and have accumulated rich experience in doing business overseas. In a report published by the United Nations Conference on Trade and Development<sup>18</sup> in 2021, four of the top ten global B2C e-commerce by GMV in 2020 are from China: Alibaba in the first place, JD.com in third place, Pinduoduo in fourth place and Meituan in seventh place. And also, according to the data released by Alibaba<sup>19</sup>, its international website serves a cumulative total of over 26 million active business buyers in over 200 countries and regions, with a compound growth of over 100% in buyers over the past three years. With rich practical experience in cross-border e-commerce, Chinese e-commerce businesses can make their service more suitable for local production and life patterns, making the cooperation a close fit.

### *How Latin American e-commerce works on people's lives*

E-commerce in the Latin American regions is gaining momentum. The pandemic was a turning point for the development of e-commerce in Latin America. Before it, e-commerce development was still in its infancy. The pandemic has accelerated the digital transformation and e-commerce has been growing rapidly in Latin America. According to Matteo Ceurvels<sup>20</sup> article published on eMarketer's website, eMarketer's survey its sales increasing by 63.3% in 2020 and surpassing US\$100 billion for the first time. But at the same time, according to Ali-KPMG's "Digital Economy Development Index"<sup>21</sup>, Brazil

is ranked first in Latin America, but only 31st in the world, and most other Latin American countries in the 40th to 100th percentile, and some in the bottom 50.

The demand for e-commerce among Latin Americans is on the rise. Over the years, with improved infrastructure and widespread use of mobile phones, Latin America has seen a gradual increase in Internet penetration and an increase in the number of netizens and online consumption. In addition, Latin America has a relatively young demographic and e-commerce can be a perfect match for young people who like to seek out innovation and adapt quickly to new things that emerge. In the post-pandemic era, global employment is in a gloomy situation. As e-commerce is flexible in business forms, it has provided new employment ways for people, which to some degree, has helped to ease pressure on employment.

### Conclusion

In light of the current situation of e-commerce development in China and Latin America respectively, there are multiple points for cooperation between China and Latin America in the e-commerce area. As China and Latin American countries are developing countries, there are some similarities in the development stage. Besides, most Latin American countries are in the same period of development as China once was. Therefore, China's experience in development can be used as a reference for Latin American countries. In addition, the needs of the people of both sides are complementary at the current stage of development. China's vast market has strong purchasing power which matched Latin America's need to balance regional development, narrow the gap between the rich and the poor, and accelerate the digital transformation. Given the momentum of e-commerce on both sides, China's Silk-Road E-commerce initiative provides a platform for exchange. Under the framework of this initiative, exchanges between the two sides can be more robust and productive.

*China-Latin America Silk-Road E-commerce cooperation - development space in the field of "People-to-people Bond"*

At the government level. Governments of both sides need to seize the opportunity of digital transformation and expand their circle of friends in the digital economy field. In addition, under the framework of the "Belt and Road Initiative", the government should continue to improve the top-level design. Together with think tanks, the government should devote more effort to regional and country-specific studies to better guide enterprises in localization and enhance mutual trust and confidence in international cooperation.

Economically, cooperation should focus on improving local people's living standards and strengthening friendships of both sides. In international cooperation in poverty reduction, the Silk-Road E-commerce can serve as a platform for investment and cooperation in education, agriculture, and health care and help to improve overall local infrastructure conditions and help transformation.

In terms of culture, through online media and platforms, people can easily access information and cultural knowledge from both sides, which helps to improve mutual understanding and bridge cultural boundaries. Besides, in the cross-border trading process, cultural products are various in forms and are easy to get. By making full use of its feature, people can get cultural products online and use them to

present Chinese and Latin American cultures. What's more, online courses can lower the threshold of language learning and help forest professionals for international exchanges and cooperation.

### **Result: Future and Prospects**

This study found that there is a huge potential for cooperation in China-LAC Silk Road E-commerce.

In terms of policy coordination, Silk-Road E-commerce still has potential and room for development. For example, although there are MOUs, they are generally used in what the parties have indicated, and have not yet reached a legal commitment, or the parties are not yet able to designate an agreement with legal compulsion. Therefore, in order to further promote the development of Silk-Road E-commerce, China and Latin America still need to sign more specific, down-to-earth relevant policy documents, which is exactly the direction that China needs to work on. In addition, there are few binding and control treaties for the cooperation system. If the two sides want to further strengthen the cooperation of Silk-Road E-commerce, more detailed agreements must be made to ensure that there are countermeasures in case of problems in all aspects, such as capital, trade, finance and people's confidence.

In terms of unimpeded trade, amidst the challenges come opportunities. In recent years, major countries in the world have taken the development of digital economy as an important way to develop the economy. The COVID-19 pandemic has inadvertently facilitated the development of digital economy. The outbreak of the pandemic has reconfirmed the importance of developing information technology and promoting the digitization of the economy and society. The willingness of China and Latin America to promote cooperation in digital economy has also increased because of the pandemic. On the one hand, the COVID-19 pandemic has provided practical experience for the popularization and development of digital economy. As the pandemic continues, more and more Latin American companies are taking advantage of the Internet to conduct business. According to CEPAL statistics, between March and April 2020, the number of commercial websites in Colombia and Mexico increased 800% over the same period of the previous year. In April 2020, the number of new e-commerce websites of Brazil and Mexico increased by more than 450% over the same period of the previous year. At the same time, the number of websites active in Colombia and Mexico also increased by about 500% over the same period of the previous year. On the other hand, the outbreak of COVID-19 has provided an opportunity to further promote the building of Silk-Road E-commerce for China and Latin America. The digital transformation of economic and social activities under the pandemic has also provided more opportunities of cooperation for the building of Silk-Road E-commerce. The cooperation needs and willingness of China and Latin America to promote the digital economy development will further increase.

Nowadays, on a global scale, many companies have seen the limitations of conventional infrastructure, so they begin to innovate infrastructure constantly to ensure that future of infrastructure will veer into a smarter and more automated fashion. For example, automated three-dimensional warehouses can expand the space of warehouses, and unmanned aerial vehicles can solve the problems of shortage of

workers and rising labor costs. But companies at home and abroad that can master such leading technology are still marginal. Especially considering that most Latin American countries are devoid of advanced infrastructure, and most of them are still at an initial stage of building it, it is difficult to merely rely on themselves to actualize a short-term success of infrastructure building. However, there is no doubt that Latin American countries possess their unique shining points when it comes to software techniques. As a result of that, cooperation between China and Latin America in infrastructure building in “Silk-Road E-commerce” is a two-way choice.

Among the five-prolong approach, “People-to-people Bond” seems less practical than the other four, but without it, nothing can go smoothly. Although China and Latin America are distant away, bilateral contacts have a long history, which serves as the foundation of cooperation and exchanges in the current era. “People-to-people Bond” is everywhere and is in a variety of forms, adding luster to the interaction between the two sides. In today’s digital information world, geographical distances are brought closer through the Internet and people are connected in innovative ways. China and Latin America are common or complementary in many aspects, which unleashes the great potential for cooperation. With the help of “People-to-people Bond”, China-Latin America cooperation will achieve fruitful and win-win results in the new era.

All these provide guidance and development ideas for China-LAC Silk Road E-commerce and help China-Latin America cooperation to a higher level.

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### Conflict of interests

The authors declare that they have no conflicts of interest.

### Authors' contribution

- Xiaoyu Li: Project administration review & editing
- Yajie Wu : Investigation
- Yifan Wang: Investigation
- Yuexuan Wang: Investigation
- Tong Wen: Investigation