Latin America, China and the Challenges for Digital Trade Governance: Social Commerce and the Proliferation of Cross-Border Data Flows

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Due to the acceleration of digitalization the global economy is increasingly becoming an information economy in which manufacturing has been eclipsed by the production and management of information (Pietruska 2021). Information needs data to exist, and so data is the new oil. The key point being that, like oil, data now supports an expanding range of economic activities and international trade (Meltzer 2018: 4). Data is a means of production, an asset that can itself be traded, and the means through which Global Value Chains (GVCs) are organized. The movement of data, or information, across borders underpins digital trade. While there is no single definition of digital trade, there is a growing consensus that it encompasses digitally enabled transactions in trade in goods and services which can be either digitally or physically delivered involving consumers, firms and governments. While all digital trade is enabled digitally, however, not all is digitally delivered. Digital trade and enhanced connectivity through data flows increase the efficiency of moving goods across borders. Nonetheless, they also spread the number and kinds of transactions that cannot always be traced. Therefore, governments are facing growing regulatory challenges. The existence of different transactions raises several trade policy and measurement issues, as both the way they are performed and the type of product or service transacted determine which rules apply (López González and Jouanjean 2017: 2-13). Thus, ubiquitous commercial transactions and exchange of cross-borders data through digital platforms are increasing concerns about cyber security, audit capacity and protection of individual privacy, particularly because such platforms are not only conventional e-commerce platforms anymore. Nowadays, social media are also used to commercialize and sell products and services developing what is called “social commerce”.

Social media are becoming gateways for market access both for large and small firms and consumers (Herreros 2019: 7). But since they are conduits of data and information, they are also increasing the issues for digital trade governance. Trading through social media arises classification and policy issues as the social media site is not directly drawing revenue from its principal activity, and while the delivery of their commercial 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 (López González and Jouanjean 2017: 17). And so, it is “invisible” in official statistics. In light of different regulatory approaches and preferences for digital trade (including data and privacy protection) across countries, up to today there is no coherent set of rules that respond to such issues. While there are three regulatory models— the US, the EU and China— competing to determine global digital trade governance, Latin American countries are trying to homologate their policies in the frame of a regional digital market. Among the region, the Pacific Alliance (Mexico, Chile, Colombia, and Peru) seeks to become the roadmap of such a project. However, there is still a broad digital divide in the region and its countries are, once again, reproducing the dynamics observed over the last four decades, in which they have imported regulations from extra-regional partners (Herreros 2019: 38), particularly from the US. But now China, the world’s largest e-commerce market, is the second most important trading partner of the region and is expanding its presence in the region. Therefore, the question arises as to how is it altering the Latin American digital trade dynamics and its ongoing establishment of rules in the field, particularly within the framework of the regional digital market project?

Keywords
Digital Trade, Governance, Latin America, China, Social Commerce, Cross-border Data Flows
Sources of Information


