

# Why it's worth keeping digital trade duty-free

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FOR Trinidad and Tobago firms, particularly those operating in Information and Communications Technology (ICT), financial services, professional services, creative industries and other digitally delivered sectors, the preservation of the World Trade Organization (WTO) moratorium on customs duties on electronic transmissions is not an abstract global debate-it is a competitiveness imperative.

Services now account for more than one-third of Trinidad and Tobago's total exports, and the ability to deliver these services digitally, efficiently and without additional trade frictions underpins our diversification strategy, export resilience and foreign exchange generation.

Introducing duties on electronic transmissions would raise costs, reduce market access and disproportionately harm micro, small and medium-sized enterprises, as well as women-owned businesses, which rely heavily on digital platforms for marketing, payments, logistics and service delivery.

For the Caribbean, the stakes are even higher. Small island developing states depend on predictable, rules-based trade frameworks to overcome constraints of scale, distance and high logistics costs.

The WTO e-commerce moratorium has enabled Caribbean firms, including Coded Arts, to leapfrog physical barriers, participate meaningfully in global value chains and build export capacity in sectors that are less exposed to climate shocks than traditional, land-based industries.

At a time of rising global protectionism and renewed tariff uncertainty, preserving duty-free digital trade is essential to safeguarding regional competitiveness, supporting inclusive growth and protecting consumer welfare.

In this context, the Trinidad and Tobago Chamber of Industry and Commerce is actively engaged with the Global Coalition of Services and the US Coalition of Services Industries to ensure that the perspectives of Trinidad and Tobago and the wider Caribbean are represented in global advocacy efforts to preserve the WTO moratorium on e-commerce duties and protect the future of services-led trade.

Christine Bliss expands the lens, articulating why preserving the WTO e-commerce moratorium is not only vital for small economies, but for the stability and future of global services trade.

**By Christine Bliss, president, Coalition of Services Industries** The long-standing, multilateral foundation of Internet commerce is at risk of being abandoned, in a potential shift that would deal a blow to the services sector.

For all the turmoil these days over tariffs on goods, you don't hear much about duties on services. That's because most trade in services now happens online, and in the earliest days of the Internet, governments decided it would make sense not to burden electronic books or music with tariffs. In 1998, members of the World Trade Organization shook hands on a deal to keep digital trade duty-free.

The agreement has been continually renewed by a consensus of WTO members ever since. By keeping costs low and eliminating the need for paperwork, it's been instrumental in expanding global access to digital services and communication tools over time.

But unfortunately, that time-tested approach is now under fire. A small number of countries led by India have been pushing to dismantle the nearly three decades-old WTO agreement. The reasons given vary. Sometimes opponents of the agreement argue they want to exert greater government control over data. Other times they try to sell digital duties as a way to generate new revenue (though economic research suggests such an approach would backfire).

There's now a distinct possibility a tiny minority of WTO members could prevail in killing the deal at a biannual WTO meeting that will take place in Cameroon in February 2026.

Yet there is ample evidence that maintaining the WTO moratorium on e-commerce duties remains sound public policy, judged by its economic and social benefits.

It's worth pointing out that keeping digital services duty-free is especially important now: the recent US push by President Trump to dramatically hike tariffs on goods has already sown new uncertainty for the global economy. Adding services tariffs to the mix would risk further destabilising trade flows.

But just as important, for nearly three decades, the WTO deal for a moratorium on digital duties has contributed to a stable and predictable environment that has permitted trade in online services to thrive. And now that digitally delivered services account for more than half of global services exports, the global agreement is more commercially meaningful than ever.

Trade in digital services trade continues to grow at a rapid pace. A 2023 report coauthored by the International Monetary Fund estimated that digitally delivered services grew almost four times in value between 2005 and 2022, increasing an average of 8.1% a year. That's well above the 5.6% growth in goods and 4.2% rise in other services exports over the same period. Not surprisingly, the IMF report concluded the e-commerce moratorium has been a boon to digital trade. 'Customs duties on electronic transmissions would likely negatively affect those who can benefit the most from digital delivery or from the use of digital tools to trade, namely MSMEs and women owned traders,' it said.

Indeed, the benefits of the agreement have accrued to a broad cross-section of exporters. On a global basis, developing economies claim a growing share of commercial services exports, rising to 34% in 2022 from 24% in 2005. That trend is borne out in Trinidad and Tobago, where services now comprise over a third of total exports.

Export growth in ICT, finance and other services has offered an important path to greater diversification for developing economies. Another benefit of services: they are less sensitive to the impacts of climate change than sectors that rely on land use and other natural resources.

The economic turbulence that has attended widespread new imposition of duties on goods in the US should be enough to dissuade other rational governments from following suit. But OECD research has also shown that levying tariffs on electronic transmissions would be a losing financial proposition, exacting greater costs than any marginal gains in tariff revenues.

The OECD's analysis indicated that countries that began imposing duties on electronic transmissions

would face a net loss in consumer welfare and export competitiveness. These findings are consistent with earlier research from the European Centre for the International Political Economy (ECIPE), which likewise showed an economic benefit for countries that maintain the moratorium.

Manufacturers—both large and small, and across a range of industrial sectors—rely on the constant flow of research, design, and process data and software to enable their production flows and supply chains for critical products. The integration of artificial intelligence into manufacturing will only make it more important to ensure knowledge transfers can flow uninterrupted. Digital trade is not only a matter for 'big tech,' but for the whole economy.

On that point, research has shown that access to digital tools is particularly helpful for small and medium-sized firms in the export sector. To take a few examples, companies can use online platforms for marketing while leveraging digital financing, logistics, and delivery services. Firms that create their own web presence and offer digital delivery have been shown to be more likely to become exporters.

Digitally-delivered products also tend to be more affordable and accessible. Transport expenses, which are higher in countries with less developed infrastructure, account for as much as 20 to 30% of the cost of trade. Digital delivery significantly reduces these costs, thereby improving consumer welfare.

Digital transactions reduce corruption, too. From an enforcement perspective, digital transactions are preferable because they are transparent. Governments stand to benefit from pushing more business into the digital realm, where transactions can be more easily documented and accounted for.

And beyond the economic realm, access to services for health, education, transport and finance have also proven essential for enhancing social welfare globally.

Abandoning an approach that has worked so well would be a mistake. The agreement to protect digital trade from tariffs has stood the test of time. Digital trade has transformed consumer access to online products and services and boosted economic competitiveness around the world. WTO members should band together to preserve the moratorium on e-commerce duties.

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