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Exploring Commonwealth Trade in Digitally Delivered Services

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1. Introduction

Technological advances are rapidly transforming the structure and composition of international trade flows. This transformation is evident from the remarkable growth in digitally delivered services trade, exports of which reached US$3.8 trillion in 2022, an almost fourfold increase since 2005. In 2022, more than half (54 per cent) of overall global services exports were delivered digitally. Rising digital connectivity – as well as the proliferation of a variety of general-purpose technologies for video and voice calls, emails, fax messages and cloud computing – is facilitating the delivery of these services. Numerous digital intermediation platforms and online tools connect suppliers to consumers of digitally delivered services across the globe. Besides fuelling the rapid growth in exports of digitally delivered services under Mode 1 (cross-border supply), these technologies have stimulated the substitution of modes of service supply,[2] from Modes 2 (consumption abroad) and 4 (movement of natural persons) to Mode 1 (see Box 1).

The rapid expansion in exports of digitally delivered services[3] is providing impetus for globalisation (Baldwin et al., 2023). While the growth in merchandise trade as a share of gross domestic product (GDP) peaked in 2008, the services sector, underpinned by the surge in digitally delivered services, has been steadily expanding, with developing countries gaining an increasing share (WTO and World Bank, 2023). This sector now contributes to more than two-thirds of worldwide GDP, and about half of global employment and trade in value added terms (Nayyar and Davies, 2023; WTO and World Bank, 2023). Global challenges, such as the lingering effects of the COVID-19 pandemic, supply chain disruptions, geopolitical conflicts, rising protectionism and slowing economic growth, adversely affect trade in merchandise as well as services delivery from Mode 2 to Mode 4. However, the growth in digitally delivered services under Mode 1 has remained largely immune to these headwinds and, in fact, has thrived in the face of these challenges.

This issue of *Trade Hot Topics* examines the landscape of digitally delivered services trade in Commonwealth countries. It assesses the key drivers of this trade in the Commonwealth and offers insights and policy recommendations to

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2 The mode of supply for services trade depends on the territorial presence of the supplier and the consumer at the time of the transaction. See: World Trade Organization (no date), 'Chapter 1: *Basic Purpose and Concepts*', GATS Training Module. Available at: www.wto.org/english/tratop_e/serv_e/cbt_course_e/c1s3p1_e.htm.

3 Digitally delivered services include GATS mode 1 exports of financial, insurance, telecommunications, computer and information services (ICT), charges for the use of intellectual property, and most of other business services and of personal, cultural and recreational services in the Balance of Payments (WTO, 2023).

Box 1. Understanding digitally delivered services trade

The latest edition of the *Handbook on Measuring Digital Trade* (WTO et al., 2023) defines digitally delivered trade as 'all international trade transactions that are delivered remotely over computer networks'.

Digitally delivered trade can be distinguished from digitally ordered trade (also known as 'e-commerce'), which involves cross-border trade in goods or services conducted via computer networks using methods specifically designed for the purpose of placing or receiving orders (OECD, 2011). All types of goods and services can potentially be digitally ordered, but only some types of *services* can be digitally delivered.

The latter encompasses a wide variety of services that can be supplied by digital means across borders (Mode 1). These include insurance and pension services; financial services; charges for the use of intellectual property; telecommunications, computer and information services; research and development services; professional and management consulting services; architectural, engineering, scientific and other technical services; trade-related services (including digital intermediation services); other business services; audio-visual and related services; health services; education services; and heritage and recreational services. In many of these sectors, services that were previously traded internationally through in-person interactions between suppliers and consumers are now being replaced by online exchanges. Similarly, the physical exchange of services in the form of documents, blueprints and other outputs is increasingly being replaced by the delivery of digital files transmitted via computer networks.

While the majority of digitally delivered services are traded through Mode 1, there is also scope for these services to be supplied via Mode 2 (consumption abroad). In such instances, the producer of a service in one country delivers it digitally to a visiting consumer from another country. This would occur, for example, when a traveller visiting India from Canada falls ill and has a virtual medical consultation with a doctor in India.

Source: Commonwealth Secretariat, based on WTO et al. (2023).

expand digitally delivered services exports from Commonwealth members.

2. Commonwealth exports of digitally delivered services

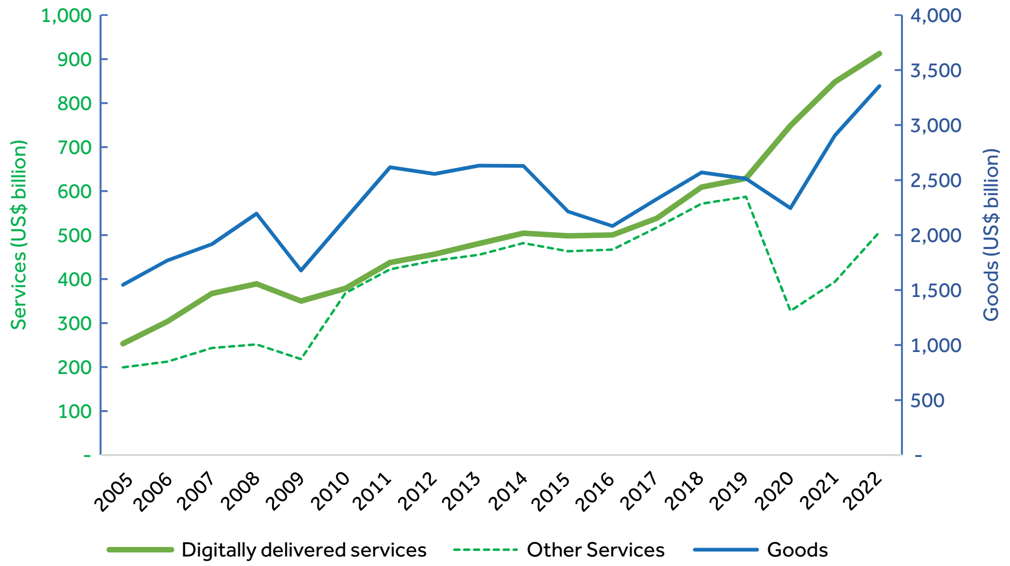
2.1 Recent trends

In 2022, Commonwealth countries exported digitally delivered services worth US$913 billion (see Table A1 in the Annex), representing 24 per cent of global exports of these services. These exports have grown by a factor of 3.6 over the last 17 years (from US$253 billion in 2005), at an annual growth rate of 7.9 per cent, similar to the growth rate at the global level. Commonwealth countries' digitally delivered services exports and other commercial services exports grew on the same trajectory for almost a decade (2009–19). However, the pace of digitally delivered services exports accelerated sharply during the COVID-19 pandemic (Figure 1) when they grew at twice (13.25 per cent) the pre-pandemic growth rate (6.71 per cent). In 2022, digitally delivered services exports represented about two-thirds of total services exported by the 56 Commonwealth countries.

An exponential increase in digitally delivered services exports from Commonwealth developing countries underpins this trade expansion (Figure 2). During 2005–22, their exports of these services grew at an annual average rate of 13 per cent, more than twice the growth rate for the six Commonwealth developed countries (5.4 per cent). Asian members registered the highest growth rate of 13.3 per cent, followed by African member countries at 10.8 per cent per annum. As a result of rapid growth in these regions, digitally delivered services exports by Asian Commonwealth members increased by a factor of 8.5, while those of African Commonwealth members were 5.7 times greater than their value in 2005. Due to this exponential growth in developing countries, the combined value of their digitally delivered services exports is rapidly converging towards that of their developed peers and is set to surpass them by 2025 (see Section 2.2).

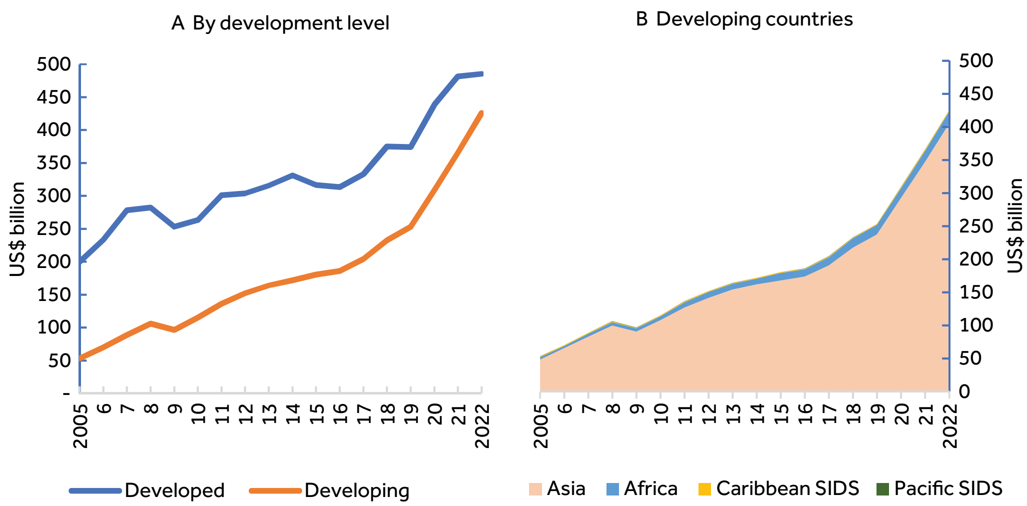
Within Asia, India is the largest exporter of digitally delivered services, accounting for more than half of the Asian members' and a quarter of all Commonwealth countries' total exports of these services. Singapore is the second largest exporter

Figure 1. Trend in digitally delivered services, other commercial services and merchandise exports of Commonwealth countries (2005–22)



Source: Commonwealth Secretariat (calculated using WTO dataset).

Figure 2. Trend in Commonwealth countries' digitally delivered services exports, by development level (2005–22)



Source: Commonwealth Secretariat (calculated using WTO dataset).

from Asia, accounting for about one-third of digitally delivered services exported by Asian members. These two countries collectively account for 95 per cent of Asian members' exports of these services.

Between 2005 and 2022, average annual growth in digitally delivered services exports by Commonwealth countries was much faster (7.9 per cent) compared to the growth in their exports of other commercial services (5.7 per cent) as well as their merchandise exports (4.7 per cent). As a result of this robust growth, Commonwealth countries' combined digitally delivered services exports were 3.6 times greater than in 2005, compared with 2.5 times greater for other commercial services and 2.1 times greater for their merchandise exports.

The COVID-19 pandemic exacerbated this push towards digitalisation (Box 2) in several Commonwealth countries, raising the Commonwealth's average growth rate for digitally delivered services exports to 10.4 per cent (from 2020 to 2022), compared to 6.7 per cent in the pre-pandemic period. This shift was very strong for Commonwealth developing countries and is evident for all Commonwealth regions, although to varying degrees (Figure 3).

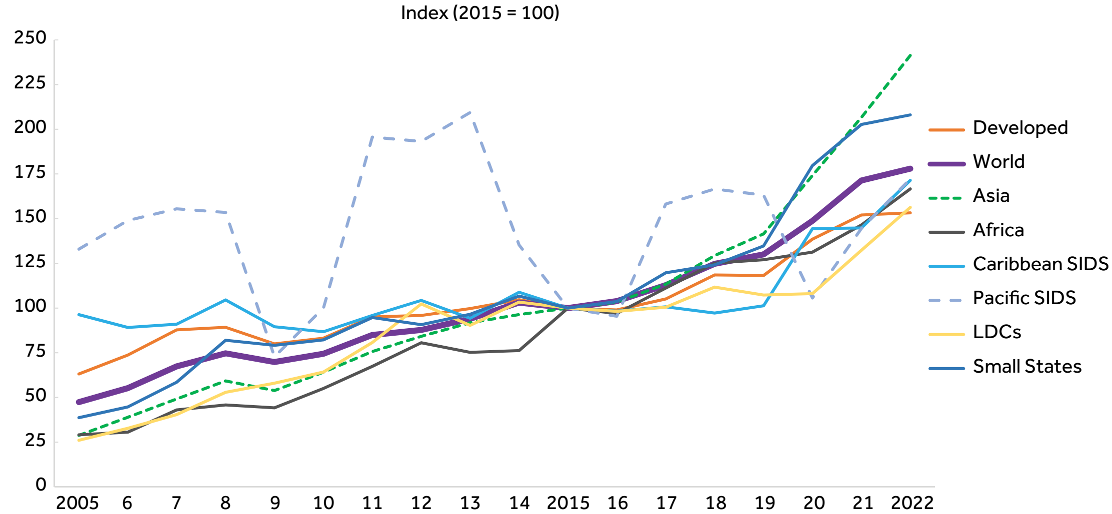
Vulnerable countries — least developed countries (LDCs), small states and small island developing states (SIDS) — that are members of the Commonwealth have also benefitted from growth in digitally delivered services exports,

Box 2. An acceleration in digitally delivered services exports during the COVID-19 pandemic

COVID-19 has accelerated the trend in favour of digitally delivered services exports; particularly as traditional trade in contact-intensive services under Modes 2 (consumption abroad) and 4 (movement of natural persons) was severely hampered during the pandemic by restrictions on travel and in-person interactions (WTO, 2020). Services that can be provided and traded remotely using digital technologies have been far more resilient and played an important role in mitigating the overall impact of the pandemic on trade.

Buoyed by a surge in digitalisation, investments to improve digital connectivity and access, and new tools and platforms to facilitate working from home and online interactions, worldwide exports of digitally delivered services grew by 14 per cent year-on-year in 2020 and 15 per cent in 2021 (WTO and World Bank, 2023). By the end of 2022, these exports were 37 per cent higher than in 2019 (ibid.).

Figure 3. Digital services export trends, by Commonwealth regions, development levels and vulnerable groups (2005–22)



Source: Commonwealth Secretariat (calculated using WTO dataset).
Note: This chart measures the growth in the value of digitally delivered services exports relative to 2015.

but to a relatively lesser extent. Collectively, the 14 Commonwealth LDCs registered a six-fold increase in exports of these services over this period; and their combined exports reached US$3.2 billion in 2022. The largest increase was observed in Bangladesh, whose digitally delivered services exports expanded from less than US$200 million in 2005 to just short of US$2 billion in 2022 (see Table A1 in the Annex).

SIDS have benefited relatively less from this digital shift. Although their digitally delivered services exports have almost doubled since 2005, they have shown a higher level of volatility (Figure 3). Exports by the Pacific SIDS were worth US$307 million in 2022, similar to their level in 2013. Greater volatility in the region's exports compared to other Commonwealth countries reflects its vulnerability to external shocks: their digitally delivered services exports declined substantially during the global financial crisis (2008–09) as well as the COVID-19 pandemic. The Caribbean SIDS, however, registered sharp growth in 2020 – although this momentum slowed down in the next two years.

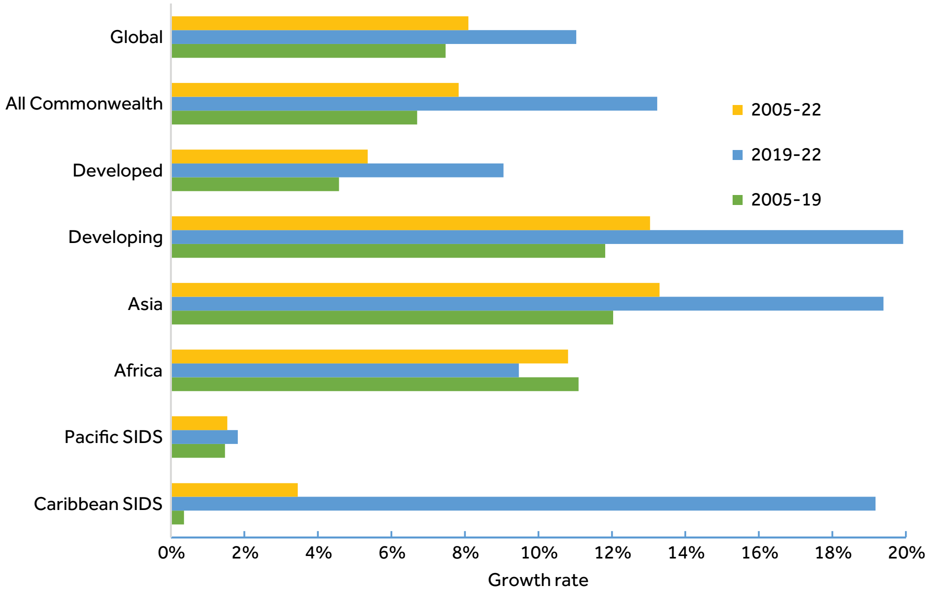
The combined digitally delivered services exports of the 33 Commonwealth small states were worth US$34 billion in 2022, a more than five-fold increase from US$6.3 billion in 2004. Most of this growth occurred during the COVID-19 pandemic: these exports expanded by about US$12 billion between 2019 and 2022 (see Table A1 in the Annex).

2.2. Long-term forecasts for Commonwealth countries' digitally delivered services exports

This sub-section examines the anticipated growth in the digitally delivered services exports of Commonwealth countries up to 2030, by regions and levels of development.

Prior to the onset of the COVID-19 pandemic in 2020, Commonwealth countries' digitally delivered services exports grew at around 6.7 per cent, a

Figure 4. Growth of digitally delivered services exports, by Commonwealth regions and development levels

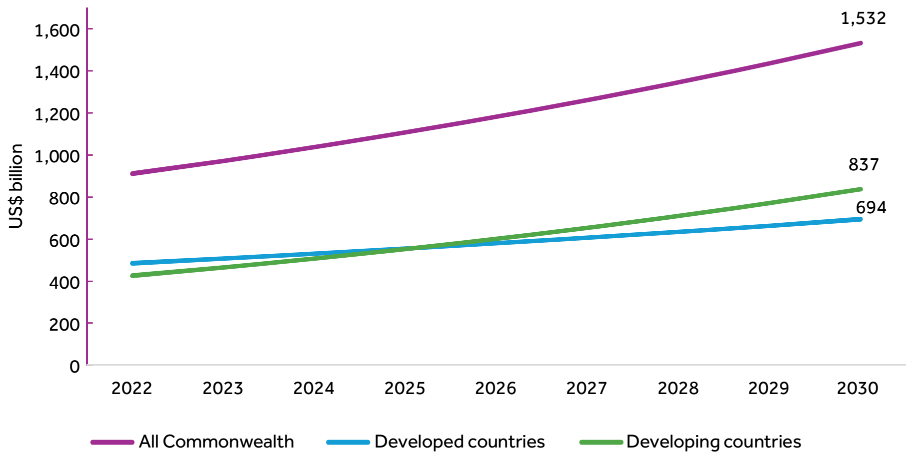


Source: Commonwealth Secretariat (using data from the WTO).

slightly slower pace than the global average of 7.5 per cent, which partly reflects the digital infrastructure gap in most Commonwealth countries. However, this pattern shifted during the pandemic, largely due to the increased digitalisation of services sectors in Commonwealth developing countries. During 2019–22, Commonwealth developing countries' digitally delivered services exports grew annually by 20 per cent, almost twice the growth rate at the global level (Figure 4). This raised the collective growth rate of digitally delivered services in the 56 Commonwealth members to 13.25 per cent, almost double the pre-pandemic growth rate.

Although Commonwealth members' exports of these services have registered unprecedented growth over the last three years, this momentum might not continue in the long term[4] and growth in these exports could revert to their pre-pandemic path (6.7 per cent). At that pre-pandemic pace, Commonwealth countries' digitally delivered services exports would almost double in the next eight years, reaching US$1.6 trillion. Most of this growth is expected to come from Commonwealth developing economies, whose exports of these services are forecast to surpass those of the six developed country members by 2025 (Figure 5).

Figure 5. Long-term growth forecasts for digitally delivered services exports, by Commonwealth regions (2023–30)



Source: Commonwealth Secretariat.

4 Following a sharp rebound in digitally delivered services exports, which grew at 14 per cent and 15 per cent in 2020 and 2021, respectively, their growth slowed to 4 per cent in 2022. See WTO, Global Trade Outlook Statistics. Available at: www.wto.org/english/res_e/publications_e/trade_outlook23_e.htm.

The downside risks to these forecasts include potential fragmentation of the global digital economy, with the development of multiple digital payment standards and cross-border payment systems along with restrictions on data flows, storage and processing, and technology transfer. Climate-related threats such as rising temperatures and more frequent heatwaves could pose additional risks to digital infrastructure, while the slowdown in the global economy and tight monetary policy might subdue the demand for digitally delivered services. On the upside, the adoption and discovery of new digital tools might accelerate the pace of digitalisation further. The new generation of digital technologies – including, for instance, blockchain, quantum computing and artificial intelligence – could reduce the cost of trading across borders and facilitate international financial flows. In this high growth scenario, Commonwealth countries' digitally delivered services exports to the world could reach as much as US$1.8 trillion by 2030. Most of this growth will come from the digitalisation of the services sector in Asian member countries, whose digitally delivered services exports globally could reach as much as $1.1 trillion by 2030.

3. Key drivers of digitally delivered services trade in the Commonwealth

Digital transformation and increased trade in digitally delivered services can provide new opportunities for Commonwealth countries, especially small states, LDCs and countries in sub-Saharan Africa (SSA). There are several factors that are transforming the way services are produced, consumed and traded across international borders and which are key to expanding trade in digitally delivered services (Table 1). However, to harness these drivers and take advantage of new markets and opportunities offered by digital platforms and digital trade, Commonwealth members — particularly developing countries — must overcome several challenges that threaten to limit the scope for expanding their digitally delivered services exports.

Despite progress in boosting digital connectivity in LDCs and other developing countries, including increased use of the internet and mobile broadband, these improvements have come from an exceptionally low base and much remains to be done (ITU, 2023). In addition, calls to close the connectivity gaps in LDCs under Sustainable Development Goal (SDG) 9.c by 2020 remain unfulfilled three years after the deadline, with most people in these countries still unable to access the internet, which is a critical vehicle for increasing trade in digital services. Levels of internet access and use remain low in many Commonwealth countries, particularly among LDC members in Africa and the Pacific and some developing economies in Africa and Asia (see Figure A1 in the Annex).

Most Commonwealth developing countries face daunting challenges related to innovation, technological governance and access to technology. This compounds the existing technology gaps between developed and developing countries; and undermines the ability of these countries to expand markets for digital services and service suppliers. At the same time, the possibility of an escalating race for digital trade supremacy between major developed countries, especially between China and the United States, threatens to spill over to Commonwealth countries, forcing them to choose between different technology systems with different lock-in effects for technology applications. This is likely to limit their potential to expand trade in digitally delivered services. Similarly, the push by some countries to introduce taxes on revenue derived from the provision of digital services[5] may discourage cross-border trade in certain forms of digitally deliverable services. In addition, a shift in customer expectations, the slow pace of delivery and limitations in existing physical infrastructure pose a challenge as companies are required to change their service provision strategies. Furthermore, the lack of reliable and timely statistics makes it difficult for governments to design more efficient and targeted policies for digital transformation to facilitate the expansion of trade and investment in digital infrastructure and services.

5 The UK, for example, introduced a Digital Services Tax in 2020 to tax business groups that derive substantial revenues from UK users of search engines, social media platforms and online marketplaces at a rate of 2 per cent of the revenues derived from these activities. Several other countries, including Argentina, Brazil, France, India, Indonesia, Italy, Kenya, Nigeria, Spain and Vietnam, have either implemented or proposed taxes on digital services. EU-wide legislation to tax digital services has also been mooted in the past. The European Commission announced proposals in 2018 (now on hold) to reform corporate tax rules to tax profits generated in EU member countries where companies have a significant digital presence (even without a physical presence), and, in the interim, introduce an EU-wide Digital Services Tax levied at 3 per cent of gross revenue from digital services. Work is also underway to find long-term solutions on international digital taxation through the G20/OECD Inclusive Framework on Base Erosion and Profit Shifting, which brings together more than 135 countries and jurisdictions, including 38 Commonwealth members.

Table 1. Key drivers of digitally delivered services trade

Drivers	Transformative aspects
Technological advancements	Advancements in digital technologies, such as the internet, cloud computing, artificial intelligence and blockchain, have enabled the creation, delivery and consumption of services in new and innovative ways.
Global connectivity	The widespread availability of the internet has connected people, businesses and markets across the globe, allowing providers to offer services to consumers in different parts of the world. This has enabled cross-border trade in services — such as health and education — that were previously not considered tradable across borders, but which can now be traded via various modes of supply, especially Mode 1 (Anuradha, 2019).
E-commerce and digital intermediation platforms	The growth of e-commerce and digital intermediation platforms provides the digital marketplaces necessary for services to be offered, bought and sold globally.
Data availability and analytics	Digital business dealings generate considerable data, which can provide insights into consumer behaviour, market trends and services performance, allowing service providers to refine their products and target specific niches more effectively.
Regulatory environment	There have been recent initiatives at the regional (for example, ASEAN [Association of Southeast Asian Nations] Digital Integration Framework) and multilateral levels (WTO) to craft legal and regulatory frameworks on digital trade. Regulatory frameworks are crucial to address the challenges confronting digitally delivered services trade, including data privacy, cybersecurity and protection of intellectual property rights (IPRs). Clear regulatory frameworks also enhance cross-border trade by fostering trust and reducing uncertainty.
Digital payment systems	The development of secure digital payment systems has helped remove some of the hurdles to conducting financial transactions across borders by allowing seamless payments for services and facilitating trade in digitally delivered services.
Physical infrastructure	The development of digital infrastructure has helped lower operational costs for delivering services digitally compared to traditional services provided face-to-face, enabling service providers to leverage digital platforms and deliver services more cost effectively and to new clients and markets, in the process expanding trade.
Technical know-how and collaboration tools	Advances in digital technologies and skills, alongside new online collaboration tools (for example, Zoom and Microsoft Teams), have enabled service providers to collaborate with clients and partners from different parts of the world, thereby facilitating the global exchange of services.

Source: Author compilation, drawn from Commonwealth Secretariat (2021).

Despite these challenges, developing countries — especially small states, LDCs and SSA countries — may still benefit from the technological revolution as consumers and users of diffused technology. They can also exploit niches in areas such as remote work and digital nomads, in which they can develop a competitive advantage. There is likely to be considerable scope to expand trade in digitally delivered services on the back of future technological change and the potential for greater access to frontier technologies in an increasingly globalised world (Bekkers et al., 2021). In addition, countries can leverage knowledge and information spillovers through open platforms and free software, foreign direct investment inflows, professional migration, and academic exchange. To gear their economies for digital transformation and increase trade in digitally delivered services, developing countries can focus on developing digitally enabled micro, small and medium enterprises to exploit knowledge about the domestic market and use it as a base to enter or expand into foreign export markets. This is critical because many companies across the world are still developing and implementing e-commerce strategies, as they realise that e-commerce is vital for business growth (DHL, n.d.). Any meaningful participation in global trade in digitally delivered services requires all countries to implement measures to support the governance of the digital economy, including in relation to investment promotion, physical infrastructure development, market regulation, and consumer protection and privacy.

Countries must also consider the short- and long-term implications of co-operation with international partners, including on investment, technology transfer, use of licencing and cross-border data flows. Such co-operation can provide a platform for developing new rules and regulations at the multilateral, regional and domestic levels to govern trade in digitally delivered services, cross-border data flows and digital services taxation.[6] Developing new rules and regulations in these areas is critical because at the time of concluding the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in 1994, suitable rules governing trade in digitally delivered services were not crafted because governments had not foreseen the growth in digital trade enabled by technological change and information and communication technology (ICT) advances like the internet.[7]

While the General Agreement on Trade in Services (GATS) does not explicitly mention digital trade and e-commerce, nor define the terms,[8] some of its provisions can be applied to these sectors. The GATS services sectors in which there is clear scope for digital delivery or to facilitate cross-border e-commerce include: (i) computer and related services; (ii) telecommunication services; (iii) distribution services; (iv) financial services; and (v) audio-visual services. There is potential to expand the scope and coverage of these sectors to cover digital trade (Table 1). The impacts of digital flows extend beyond these areas mainly because digital trade serves as the 'connective tissue' across a wide range of industries and sectors (Elms, 2020). In this regard, there is scope to expand trade in digitally delivered services in other GATS services sectors, such as health and social services, tourism, environmental services, and educational services.

Because digitisation has changed the way trade is conducted and who trades (Bacchus, 2022), it is essential for countries to craft rules governing trade in digital services to expand the scope and coverage of GATS services sectors to include digital trade. New rules can be crafted to ensure the free flow of data across borders, while safeguarding data privacy and security by ensuring a balance between free data flow and respecting the regulatory requirements of individual countries. Rules can also be developed to help establish guidelines on the application of data localisation measures. It will also be important to establish interoperable rules related to data protection, cybersecurity and consumer privacy in the context of digital trade.

Rules are required to facilitate the cross-border provision of services through digital platforms and to ensure that service providers have a level playing field across different markets. This can be done by providing equitable market access for foreign service providers, by helping address barriers such as discriminatory regulations or practices and a lack of mutual recognition of professional qualifications. It is equally essential to establish rules for the protection of IPRs given the critical role they play in digital trade, particularly for industries such as software, entertainment, and health and pharmaceuticals. Furthermore, there is a need to establish rules on special and differential treatment to enable developing countries, especially LDCs, to build the capacity to participate fully in digital trade.

It is important to note that attempts to create rules governing digital trade in some of the areas mentioned above began at the World Trade Organization (WTO) through the Joint Statement Initiative on E-commerce. Relevant issues under discussion at the WTO include market access, access to the internet and data, cybersecurity, flow of information, privacy, online consumer protection facilitating electronic transactions (for example, electronic signatures and authentication), non-discriminatory treatment of digital products, and the prohibition of data localisation barriers. Additionally, various bilateral and regional trade

6 Guidelines for the scheduling of specific commitments under the General Agreement on Trade in Services (GATS).
7 The current commitments made under the GATS by most countries date back to the conclusion of the Uruguay Round and do not cover a wide range of contemporary trade in services requirements, including digital trade.
8 The term 'electronic commerce' (or 'e-commerce') is defined in the 1998 Work Programme on Electronic Commerce as: 'to mean the production, distribution, marketing, sale or delivery of goods and services by electronic means'.

Table 2. Examples of services sector coverage under GATS and the scope to cover digital trade and e-commerce

Sector	Sector coverage under the guideline for the scheduling of specific commitments under GATS (S/L/92)[9]	Scope for covering digital trade and e-commerce
Computer and related services	(a) services related to the installation of computer hardware (b) software implementation (c) data processing (d) database services (e) other	The services covered are essential for the development and operation of digital trade and e-commerce platforms.
Telecommunication services	(a) voice telephone services (b) packet-switched data transmission services (c) circuit-switched data transmission services (d) telex services (e) telegraph services (f) facsimile services (g) private leased circuit services (h) electronic mail (i) voice mail (j) online information and database retrieval (k) electronic data interchange (l) enhanced/value-added facsimile services, including store and forward, store and retrieve (m) code and protocol conversion (n) online information and/or data processing (including transaction processing) (o) other	Most of these services play an essential role in facilitating digital trade and e-commerce by providing the necessary infrastructure for communication networks.
Distribution services	(a) commission agents services (b) wholesale trade services (c) retailing services	The sector can expand to cover e-commerce platforms which are essential for digital trade and e-commerce activities involving the online sale and distribution of goods and services.
Financial services	(a) all insurance and insurance-related services (b) banking and other financial services	The sector can expand to cover digital trade and e-commerce transactions that often involve electronic payment systems, online banking, and other financial services.
Audio-visual services	(a) motion picture and video tape production and distribution services (b) motion picture projection services (c) radio and television services (d) radio and television transmission services (e) sound recording (f) other	Because these services relate to the production, distribution and exhibition of audio-visual content, GATS provisions related to audio-visual services can expand to digital platforms that provide streaming services, online video content and digital advertising.

Source: Authors (using S/L/92).

9 Guidelines for the scheduling of specific commitments under the GATS.

arrangements have also taken steps to address digital trade and e-commerce in more detail through co-operating provisions tailored to these sectors. For example, the Canada–United States–Mexico Agreement has a chapter on digital trade and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership requires parties to allow cross-border data flows. The Digital Economy Partnership Agreement between Chile, New Zealand and Singapore is the first agreement to deal with digital identities, which are essential tools for building trust online and developing the digital ecosystems necessary to support well-functioning digital economies.

While these and other multilateral and regional initiatives help to create predictable trading environments, it is necessary to make these discussions more inclusive. Consideration should be given to addressing the pressing issues related to service providers' requirements for cross-border delivery (for example, in relation to 'digital nomads'[10] or the recognition of professional qualifications in different jurisdictions), access to and use of digital technologies, digital divides that include wide variation in digital connectivity and skills, free flow of data and information, data privacy, sharing of ideas and data, cybersecurity, consumer protection and privacy, data localisation, and digital taxation. Developing countries continue to face challenges, especially in relation to persistent digital divides, which prevent them from taking full advantage of expanding trade in digitally delivered services. As such, any discussion to craft rules governing digitally delivered services trade should be responsive to the needs of countries at various levels of development, if they are to effectively meet the evolving needs of a new digital economy and provide governments with the flexibility to support growth in digitally enabled trade in services.

4. Conclusion

Commonwealth countries' digitally delivered services exports have grown by a factor of 3.6 during the last 17 years (from US$253 billion in 2005 to $911.5 billion in 2022). Since 2020, the growth rate of digitally delivered services exports has been much faster than for other commercial services as well as merchandise exports. This steep rise, particularly in exports from developing Commonwealth countries in Asia and Africa, has helped to lead a recovery in global services trade in the aftermath of COVID-19. The ongoing digitalisation of services trade has created numerous opportunities for marginalised groups like women and young people, and offers new growth opportunities for small and vulnerable economies by providing an alternative development pathway. Exports of these services are expected to continue to grow beyond the pandemic and can serve as a key driver of greener and more climate-friendly structural transformation in the future.

The prospect of digital delivery expands the range of services that are tradeable and makes it possible to overcome barriers to trade arising from geographic constraints. It also helps to overcome limits of small market size by providing opportunities to access new and larger markets remotely, opening up new ways to achieve economies of scale. Many services that can be delivered digitally — including professional and ICT services — can be easily stored, codified and transferred electronically, eliminating the need for physical proximity between producers of services and their consumers, and making these services-related transactions more scalable (Ghani and Kharas, 2010; Nayyar et al., 2021; Nayyar and Davies, 2023).

Developing economies can capitalise on their labour cost advantages and expanding digital connectivity to export services competitively through digital platforms (Baldwin and Dingel, 2021). However, persistent digital divides need to be overcome if these opportunities are to be harnessed effectively. Although the pandemic played a role in encouraging investments in the digital economy that helped to expand access to the internet and other digital technologies, it also exposed existing limitations in digital connectivity and underlined how these can exacerbate inequalities within and between countries. Growth of digitally delivered services trade continues to be constrained in many developing countries — especially LDCs — by limited internet connectivity, lack of access to digital technologies, shortages of digital skills and literacy, restrictive regulations, and the absence of enabling policies and legislative frameworks that support the digital delivery of services across borders.

To expand digitally delivered services trade and ensure its benefits are distributed evenly, attention must be paid to improving the interoperability of digital trade systems, technologies, regulatory approaches and governance arrangements across countries, including in relation to cross-border

10 Digital nomads are people who earn a living by working online in various locations as they choose and can travel whilst still earning a living.

data flows and standards for data privacy and protection, cybersecurity, and the protection of IPRs. In addition, countries must craft new rules governing trade in digitally delivered services and ensure mutual recognition of professional qualifications and standards across different jurisdictions to enable market access for providers of these services. If implemented in tandem with broader initiatives to enhance digital connectivity, address technological barriers and improve digital skills and literacy, such efforts can help realise the considerable promise of digitally delivered services trade as a driver of growth and job creation in the Commonwealth and beyond.

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Annex

Table A1. Commonwealth digitally delivered services exports (value and cumulative growth), by region and member country (2005–2022)

Regional grouping	Country	Digitally delivered services exports (US$ million)							Cumulative growth rate (%)	
		2005	2010	2015	2019	2020	2021	2022	Pre-COVID (2005–19)	COVID (2020–22)
Developed	Australia	6,180	9,883	12,102	15,206	18,572	22,545	21,955	6.6	13.0
	Canada	26,924	37,620	41,456	56,432	69,352	78,432	78,655	5.4	11.7
	Cyprus	1,612	3,517	4,538	7,982	11,988	13,651	15,009	12.1	23.4
	Malta	2,541	7,307	9,034	11,066	14,013	15,782	14,678	11.1	9.9
	New Zealand	1,401	2,302	2,801	3,557	3,999	4,917	4,724	6.9	9.9
	United Kingdom	161,297	202,592	246,723	280,028	320,780	346,168	350,315	4.0	7.8
		199,955	**263,222**	**316,653**	**374,272**	**438,704**	**481,495**	**485,336**	**4.6**	**9.0**
Africa	Botswana	132	84	146	145	199	174	193	0.7	10.1
	Cameroon	223	360	435	649	547	296	337	7.9	−19.6
	Eswatini	179	100	20	33	41	42	42	−11.4	8.8
	Gabon	60	260	182	71	109	129	132	1.1	23.1
	The Gambia	8	13	2	11	11	5	5	2.3	−22.9
	Ghana	74	251	3,110	4,751	5,307	5,322	6,248	34.7	9.6
	Kenya	206	554	1,003	1,390	1,217	1,741	1,833	14.6	9.7
	Lesotho	4	11	6	4	4	8	9	1.0	28.8
	Malawi	4	9	49	52	164	169	181	20.8	51.2
	Mauritius	262	736	721	693	654	735	825	7.2	6.0
	Mozambique	52	48	82	68	66	66	44	2.0	−13.6
	Namibia	19	66	70	48	169	179	237	7.0	69.8
	Nigeria	37	73	425	1,048	1,152	1,005	1,223	27.0	5.3
	Rwanda**	...	32	35	36	35	48	52	1.3	13.1

(*Continued*)

Table A1. Commonwealth digitally delivered services exports (value and cumulative growth), by region and member country (2005–2022)

Regional grouping	Country	Digitally delivered services exports (US$ million)							Cumulative growth rate (%)	
		2005	2010	2015	2019	2020	2021	2022	Pre-COVID (2005–19)	COVID (2020–22)
	Seychelles	20	28	181	446	285	469	536	24.6	6.3
	Sierra Leone	2	5	117	5	7	36	29	5.4	78.6
	South Africa	1,726	3,084	3,715	4,085	4,148	5,242	5,934	6.3	13.3
	Tanzania	134	206	345	254	164	296	322	4.7	8.3
	Togo	32	78	94	173	204	222	247	12.8	12.7
	Uganda	84	167	381	211	209	261	287	6.8	10.8
	Zambia	22	33	147	139	97	54	57	14.1	−25.7
		3,279	**6,197**	**11,266**	**14,312**	**14,789**	**16,498**	**18,775**	**11.1**	**9.5**
Asia	Bangladesh	173	710	791	1,248	1,259	1,560	1,979	15.1	16.6
	Brunei Darussalam	74	68	10	8	13	12	13	−15.1	20.9
	India	29,551	66,693	90,327	118,018	149,075	177,903	227,233	10.4	24.4
	Malaysia	4,336	6,032	7,315	9,319	10,754	11,140	12,247	5.6	9.5
	Maldives	8	51	87	59	31	34	38	15.2	−13.2
	Pakistan	614	913	1,445	2,275	2,958	3,832	4,153	9.8	22.2
	Singapore	13,531	33,080	67,798	106,479	128,066	152,205	159,149	15.9	14.3
	Sri Lanka	311	549	1,035	1,206	1,096	1,272	1,228	10.2	0.6
		48,598	**108,095**	**168,810**	**238,611**	**293,250**	**347,958**	**406,040**	**12.0**	**19.4**
Caribbean	Antigua and Barbuda	47	40	86	86	103	117	162	4.4	23.7
	The Bahamas	209	117	144	162	196	130	156	−1.8	−1.4
	Barbados	216	172	284	129	137	141	169	−3.6	9.3
	Belize	27	34	54	62	97	157	195	6.0	46.9
	Dominica	18	26	25	41	43	71	85	5.9	27.8

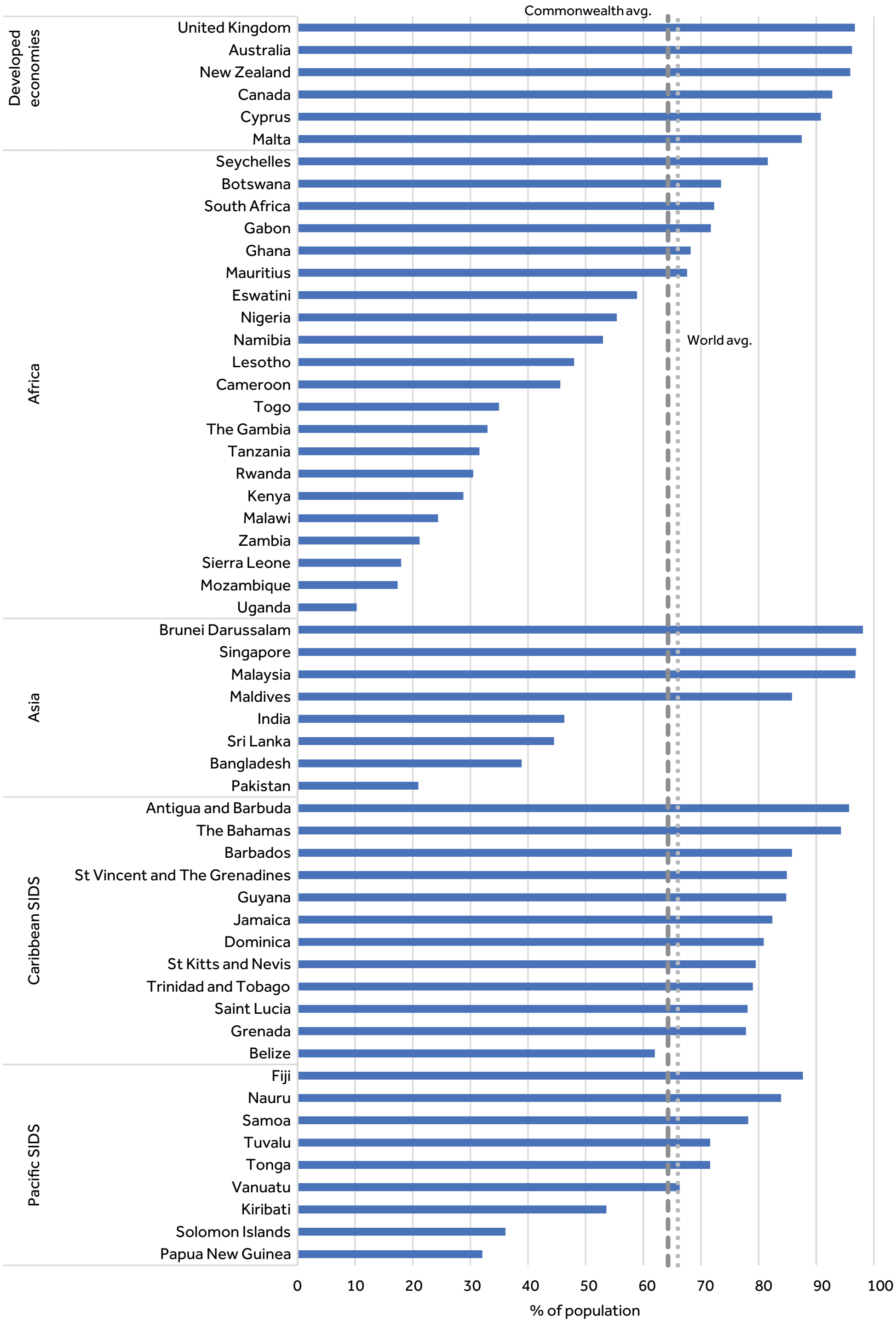
(*Continued*)

Table A1. Commonwealth digitally delivered services exports (value and cumulative growth), by region and member country (2005–2022)

Regional grouping	Country	Digitally delivered services exports (US$ million)							Cumulative growth rate (%)	
		2005	2010	2015	2019	2020	2021	2022	Pre-COVID (2005–19)	COVID (2020–22)
	Grenada	28	23	21	26	200	104	128	−0.5	70.1
	Guyana	96	145	53	136	148	208	270	2.5	25.6
	Jamaica	280	264	347	380	501	531	498	2.2	9.4
	Saint Lucia	27	27	30	27	33	36	45	0.2	18.1
	St Kitts and Nevis	19	19	34	23	143	63	76	1.4	49.8
	St Vincent*	30	28	18	23	28	31	39	−2.0	19.6
	Trinidad and Tobago	197	182	145	162	162	206	304	−1.4	23.3
		1,194	**1,076**	**1,240**	**1,256**	**1,790**	**1,795**	**2,125**	**0.4**	**19.2**
Pacific	Fiji	45	25	44	41	32	35	48	−0.6	5.6
	Kiribati	2	4	2	3	1	0	0	0.9	−44.4
	Nauru***	...	1	12	9	6	9	11	68.4	4.5
	Papua New Guinea	132	96	55	157	67	116	133	1.2	−5.4
	Samoa	11	15	31	38	40	52	58	9.1	14.4
	Solomon Islands	21	12	17	16	15	13	22	−2.0	11.9
	Tonga	4	4	1	11	9	14	16	7.9	15.1
	Tuvalu	0	0	0	0	0	1	1	−2.0	37.8
	Vanuatu	21	20	15	15	17	16	17	−2.4	4.7
		237	**178**	**178**	**290**	**188**	**257**	**307**	**1.5**	**1.8**
All Commonwealth		**253,263**	**378,768**	**498,147**	**628,741**	**748,722**	**848,004**	**912,583**	**6.7**	**13.25**
LDCs		**539**	**1329**	**2070**	**2,220**	**2,237**	**2,738**	**3,235**	**10.65**	**13.36**
Small states		**6350**	**13,459**	**16,415**	**22,111**	**29,493**	**33,272**	**34,150**	**9.23**	**15.59**

*Notes: *St Vincent and the Grenadines; **Pre-Covid growth rate calculated 2010–19; ***Pre-Covid growth rate calculated 2008–19.*
Source: Commonwealth Secretariat (using WTO data).

Figure A1. Share of the populations of Commonwealth countries using the internet, 2021



Note: Data for Sierra Leone is for 2020.
Source: Commonwealth Secretariat (calculated using ITU data).

International Trade Policy Section at the Commonwealth Secretariat

This Trade Hot Topic is brought out by the International Trade Policy (ITP) Section of the Trade Division of the Commonwealth Secretariat, which is the main intergovernmental agency of the Commonwealth – an association of 56 independent countries, comprising large and small, developed and developing, landlocked and island economies – facilitating consultation and co-operation among member governments and countries in the common interest of their peoples and in the promotion of international consensus-building.

ITP is entrusted with the responsibilities of undertaking policy-oriented research and advocacy on trade and development issues and providing informed inputs into the related discourses involving Commonwealth members. The ITP approach is to scan the trade and development landscape for areas where orthodox approaches are ineffective or where there are public policy failures or gaps, and to seek heterodox approaches to address those. Its work plan is flexible to enable quick response to emerging issues in the international trading environment that impact particularly on highly vulnerable Commonwealth constituencies – least developed countries (LDCs), small states and sub-Saharan Africa.

Scope of ITP Work

ITP undertakes activities principally in three broad areas:

It supports Commonwealth developing members in their negotiation of multilateral and regional trade agreements that promote development friendly outcomes, notably their economic growth through expanded trade.

It conducts policy research, consultations and advocacy to increase understanding of the changing international trading environment and of policy options for successful adaptation.

It contributes to the processes involving the multilateral and bilateral trade regimes that advance more beneficial participation of Commonwealth developing country members, particularly, small states and LDCs and sub-Saharan Africa.

ITP Recent Activities

ITP's most recent activities focus on assisting member countries in their negotiations in the World Trade Organization and various regional trading arrangements, undertaking analytical research on a range of trade policy, emerging trade-related development issues, and supporting workshops/dialogues for facilitating exchange of ideas.

Selected Recent Meetings/Workshops Supported by ITP

15–16 November 2023: Commonwealth Secretariat-WTO-IISD workshop in preparation for the WTO's 13th Ministerial Conference. The workshop, hosted in Kigali, Rwanda, was attended by senior trade and fisheries officials and technical experts, who discussed Africa's interests, priorities and strategies in multilateral and regional trade.

15 September 2023: Commonwealth Secretariat-Cardano Foundation session on Unlocking the Power of Blockchain for Carbon Accounting in Supply Chains at the WTO Public Forum in Geneva.

5–6 June 2023: Commonwealth Trade Ministers Meeting at Marlborough House, London. During the Ministerial Breakfast, the Secretary-General launched the book on Sustainable Production and Trade: Perspectives from the Commonwealth, covering the cocoa, fisheries, forestry, and textiles and garments sectors.

21 March 2023: Public event on Assessing the Business and Trade Dimensions of the 2022 Birmingham Commonwealth Games, in partnership with the UK's Department for Business and Trade. The event reflected on the legacy of the Commonwealth Games and explored how businesses can capitalise on the trade and investment relationships established during the Games.

16 November 2022: Public event on Enabling Climate Smart Trade and Investment: From Policies to Actions, organised for the ICC's Make Climate Action Everyone's Business Forum. The event examined how trade and trade policies can support climate action and how countries can integrate environmental and social considerations into trade agreements to achieve the SDGs.

2 November 2022: Public event on Maximising the Gains from Digital Trade: Solutions and Priorities for Developing Countries and LDCs, organised jointly with the Enhanced Integrated Framework (EIF) and hosted at the WTO in Geneva. The event reflected on lessons from country experiences and EIF projects, explored the concept of Aid for Digital Trade and identified innovative new ways to support LDCs, and particularly their MSMEs, to build capacity for digital trade.

Previous Ten Issues of the Commonwealth Trade Hot Topics Series

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