



The Commonwealth

**“The Commonwealth in the Unfolding
Global Trade Landscape”**

Thursday 14th January 2016

9.30-11.30am, Committee Room 12, House of Commons

Remarks of Commonwealth Deputy Secretary-General, Deodat Maharaj

The Right Honourable Peter Lilley,

Members of Parliament, and

Ladies and gentlemen,

I am delighted to join the Trade out of Poverty All-Party Parliamentary Group and speak with you today regarding the subject of the Commonwealth in the unfolding global trade landscape.

At our most recent Commonwealth Heads of Government meeting held in Malta in November 2015, our members “reiterated their strong commitment to rules-based, transparent, free and fair multilateral trade and investment as a foundation for economic development and growth, as reinforced by the 2030 Agenda for Sustainable Development”. They also recognised “the need for capacity-building that promotes inclusive and effective participation in the international trading system, recognising the special requirements of least developed countries and small and vulnerable economies.”

The Commonwealth has been a strong supporter of promoting a fair and equitable global trading system. The recent release of the inaugural Commonwealth Trade Review brings a fresh perspective to the global trade issues facing our members. It also, for the first time, provides detailed analysis of trading patterns amongst Commonwealth trading partners within the context of a rapidly changing global landscape.

One of the most interesting findings in the Review is evidence on the ‘Commonwealth effect’ which favours trade between Commonwealth member

states. It has been estimated that trade costs between two Commonwealth member countries are on average 19 percent lower compared to with other partners, and therefore average global trade costs. This result is significant when one considers that many of our members belong to numerous RTAs while the Commonwealth is not a trading bloc. These results suggest improved trade facilitation measures can greatly help member states take advantage of this Commonwealth effect, which will also benefit other third-party countries.

Trade within the Commonwealth is already substantial and is predicted to surpass USD 1 trillion by 2020. Members are more likely to trade with each other and generate 10 percent more foreign direct investment compared to trade with non-Commonwealth partners. Evidence also suggests hundreds of billions of dollars of intra-Commonwealth trade is yet to be exploited, particularly through trade with developing countries.

Trade with the global South is rising and a key challenge for developing member states is maximising opportunities to build trade capacity and diversify their exports. Commonwealth trade expansion with China has been a defining feature of recent years. Total Commonwealth exports to China between 2000 and 2013 increased more than 14-fold to \$268 billion; imports from China rose almost eight-fold to \$359 billion. However, for as many as 35 Commonwealth members, less than 5 per cent of their exports in 2013 were destined for China. Therefore, the Chinese market remains a potentially important, but as yet untapped export destination for most Commonwealth countries.

On the whole, a strong positive relationship between the growth of GDP and trade is found across the Commonwealth. However, the trade-growth nexus is found to be weak for small states. Competitive disadvantages arise from such factors as their inherent structural characteristics, including small domestic markets and unfavourable geographical location.

These factors yield excessive trade costs. Coupled with the erosion of trade preferences, these factors combined have resulted in their continued declining share in global trade. While global value chains, or supply chain trade, has become more pronounced in recent years many of our membership have been bypassed by these more dynamic forms of trade with limited gainful participation. Finally, the challenge of climate change looms large with the potential to further exacerbate the trade and development challenges faced by our smaller and poorer state constituents.

We were in Nairobi for the Ministerial Conference in December 2015. Whilst drawing on the positive outcomes arising from the Conference, including on trade facilitation, we would want to remain aware of the challenges in multilateralism given the proliferation of RTAs. In light of the formation of large RTAs, it is important that non-signatory countries are ready to adapt and adjust to the new trade realities which will invariably arise. Our report advocates members to maximize trade opportunities from PTAs and RTAs whilst strengthening the WTO's capacity to achieve global trade deals, as a first-best solution. This is because our membership

is mostly comprised of Least Developed Countries (LDCs) and small states, those which depend most on multilateral trade rules to protect their interests.

Our work to support member states and realise the role of trade as a means towards economic development

The Hub and Spokes, a joint programme of the Commonwealth Secretariat, the Organisation Internationale de la Francophonie, the ACP Group Secretariat and the European Union is designed to enhance the capacity of ACP countries to formulate suitable trade policies, to participate effectively in international trade negotiations and implement international trade agreements. At the moment the Commonwealth is covering 18 (soon 20) countries and 7 Regional organisations, including those in Africa.

The Trade Competitiveness Section works with member states to identify and address challenges to trade competitiveness. We are currently supporting 15 member states on a wide spectrum of issues including developing export strategies, helping to reduce transaction costs and strengthening capacity to harness trade in services. For instance, we are currently working with the Government of Kenya and the East African Community to pilot the TIR Carnet system to facilitate the movement of goods by road in the region without the requirement for repeated customs checks at national borders.

Our Heads of Government in Malta launched the voluntary Commonwealth Trade Finance Facility, to help augment trade and investment finance, particularly for small and other developing economies with limited access to trade finance. The Facility, structured as a guarantee fund, will cover risk for providers of trade credit in financial institutions of Commonwealth countries.

These are a few of our initiatives as we move along in the post Nairobi stage. The Commonwealth remains fully committed to supporting its member states in their trade agendas, to deepen the analytical work and continue supporting its member states reaping the benefits on international trade and their integration into the global economy.

We are pleased to share with you the Commonwealth Trade Review and discuss some of the main findings. I look forward to working with you to support intra-Commonwealth trade and our member states in the post-2015 sustainable development context.