



# Trade Hot Topics

## Revitalising world trade: Issues and priorities for the Commonwealth

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### Background

The world economy is continuing to experience an unprecedented slowdown in international trade. The rapid expansion of global trade witnessed before the financial crisis has now almost ground to a halt. In 2016, world trade volume expanded by only 1.9 per cent; this is compared with average growth of about 6 per cent over the almost three decades (1980–2007) prior to the crisis. This trade slowdown has affected the export performance of most Commonwealth members, with implications for their growth and development prospects.

The global slowdown is unfolding at a time when international trade is intended to play a central role in achieving the Sustainable Development Goals (SDGs), and is likely to affect the trade-related targets included in the SDGs. Rising protectionism, coupled with lack of progress in World Trade Organization (WTO)-led multilateral trade liberalisation and discontent about globalisation in many countries, makes the potential advancement of trade-related development even more challenging.

For most developing countries, and especially for small states that are among the world's most open and trade-dependent economies, international trade is a crucial driver of growth, poverty reduction and employment. If they are to achieve the SDGs, these countries need an enabling global trading environment that supports their participation in world trade. At this crucial time, we cannot

overemphasise the need to revitalise global trade flows and strengthen the multilateral trading system.

This issue of *Commonwealth Trade Hot Topics* highlights the impact of the global slowdown on the trade performance of Commonwealth countries. It then outlines several issues and priorities where Commonwealth members, working individually, collectively and with international partners, could contribute to rekindling world trade.

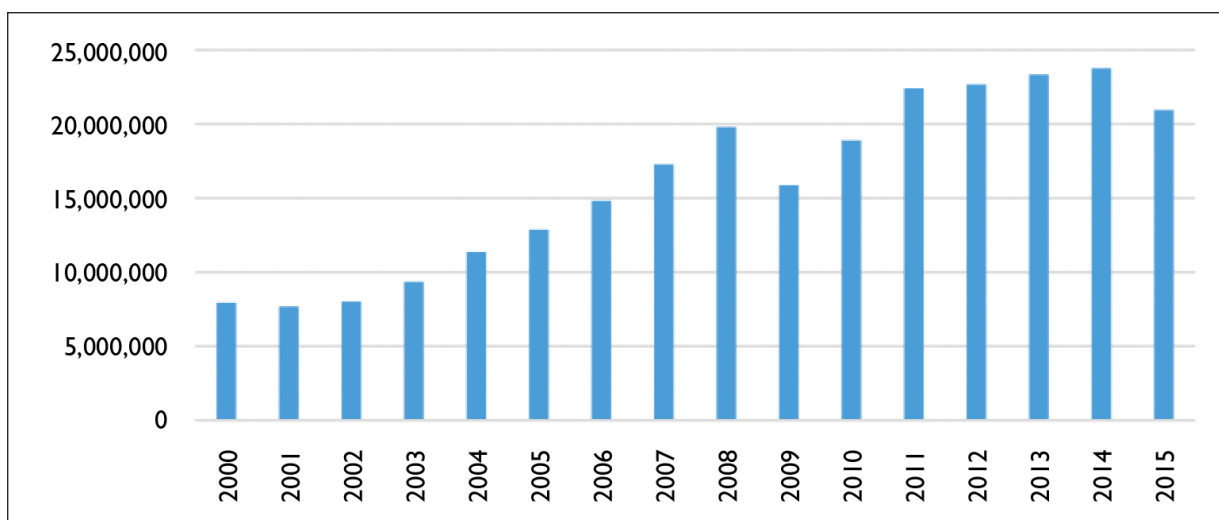
### Recent trade performance of Commonwealth countries

The economic fallout from the global financial crisis has had significant impacts on the growth of world trade. World exports have faltered since 2012, and have failed to recover the pace of growth experienced before the global crisis (Figure 1). In absolute value terms, measured in current US dollars, world exports expanded by an average of 12.5 per cent during 2000–08, but this growth contracted to 5.4 per cent in the post-crisis period (2010–15). In 2015, world trade growth declined by 12 per cent; this was the first year since 2009 that export growth was negative.

While the global financial crisis of 2008 acted as the main trigger, a combination of cyclical and structural factors has resulted in the persistence of this slowdown. Cyclical factors include overall weakness in economic activity (in both developed and emerging economies such as China), including investments, lower commodity prices and greater economic policy

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Figure 1: World exports of goods and services, 2000–15 (US\$ million)



Source: Author's calculations using data from UNCTADStat.

uncertainty, especially during 2016. Among structural factors, China's rebalancing of economic activity away from investment towards consumption and services is thought to have had a depressing impact on trade and investment flows. Another widely cited structural factor is the consolidation of value chain activities, which has led to the substitution of domestic inputs for imported inputs. Meanwhile, trade expansion in the 1990s was supported by trade liberalisation; this area has not seen any further breakthroughs in recent times, largely because of stalled WTO negotiations.

The trade slowdown has affected most Commonwealth members, although several countries have demonstrated some resilience as reflected in their merchandise exports (Figure 2). In the post-crisis period from 2010 to 2015, about half of the Commonwealth's members achieved export growth rates above the world average of 5.4 per cent. For some countries, such as Cyprus, Ghana, Mauritius, Papua New Guinea and Rwanda, the crisis appears to have had limited impact on the average growth of exports. Bangladesh, Botswana, Fiji, Grenada, Guyana, Kiribati, Solomon Islands and Tonga managed to post higher export growth in the post-crisis period.<sup>1</sup>

Six Commonwealth members saw their export growth rate contract negatively in the post-crisis period. Two Caribbean small island developing states (SIDS)—namely, Dominica and The Bahamas (-0.7 per cent)—were the worst affected. Sub-

Saharan Africa (SSA) Commonwealth members have weathered the post-crisis slowdown: half the members have achieved export growth rates above the world average and only one country, Swaziland (-0.4 per cent), has posted negative growth.

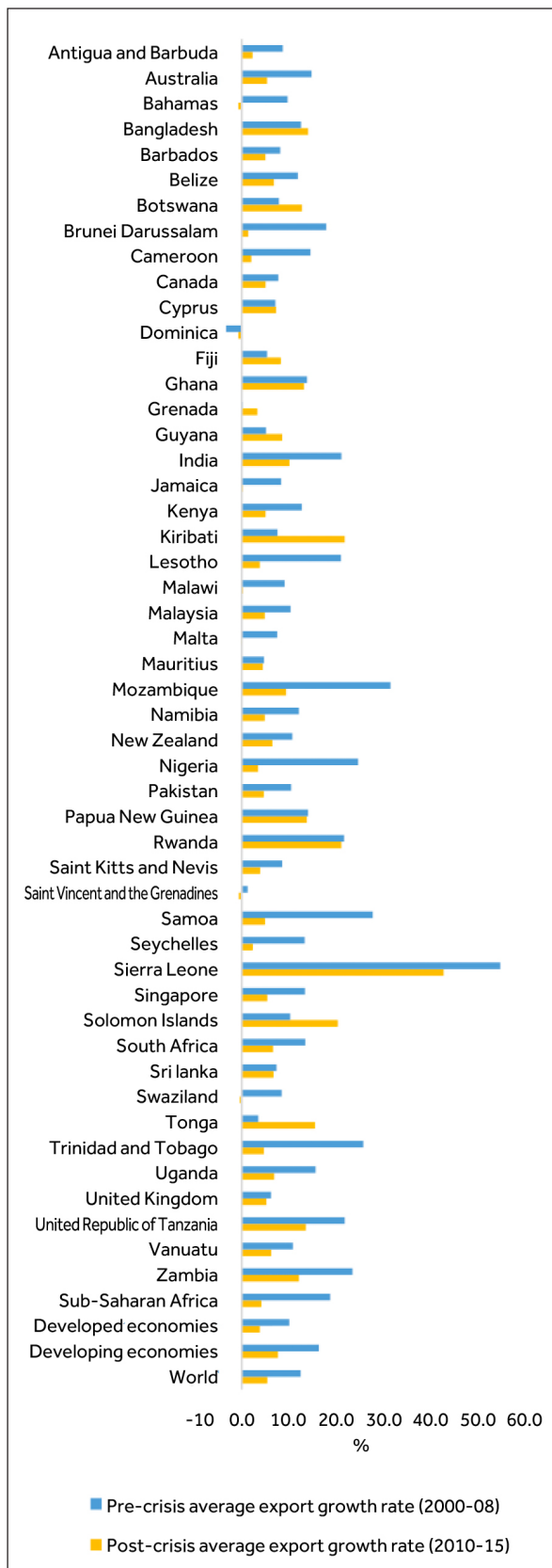
Although the International Monetary Fund projects that world trade volume will expand by about 4 per cent this year, this recovery confronts various risks. These range from the economic performance of emerging economies such as China and an investment slowdown in the advanced economies, to the impact of persistent trade protectionism. Brexit—the process of the UK withdrawing from the EU once Article 50 of the Lisbon Treaty is triggered in March<sup>2</sup>—presents an additional shock to an already vulnerable world economy and international trading system.

The UK is the world's fifth largest economy, generating trade flows of US\$1.6 trillion (almost 4 per cent of world trade in goods and services in 2015). Any fallout from Brexit could impair the economic performance of the UK and Europe as well as prospects for improved world trade growth. The global trade slowdown has already affected the UK's merchandise exports, which averaged growth in absolute value of 5.2 per cent during 2010–15 compared with 6.2 per cent in the pre-crisis period (Figure 2). Although the UK's post-crisis export growth was almost on a par with the world average of 5.4 per cent, Brexit-related risks could present a more challenging outlook.

1 For some small economies, just a few high-value transactions over this period may have influenced the growth in their exports.

2 UK Government (2017) The United Kingdom's exit from and new partnership with the European Union. White Paper. London: UK Government. The broad contours of the UK Government's position for Article 50 withdrawal negotiations are now clearer. On trade, the UK intends to leave the Single Market and will pursue a new strategic partnership with the EU, including an ambitious and comprehensive free trade agreement (FTA) and a new customs agreement.

**Figure 2: Average merchandise export growth rates for Commonwealth members, 2000–15 (%)**



Note: Nauru, Saint Lucia and Tuvalu are not included owing to data limitations.  
 Source: Author's calculations using data from UNCTADStat.

## Issues and priorities for revitalising world trade

### Push for strengthened trade multilateralism

Trade multilateralism remains at a crossroads. After more than 15 years of negotiations, the delays in concluding the WTO's Doha Round have diluted confidence in the organisation's ability to open markets and govern twenty-first century world trade in goods, services and the digital economy. Limited multilateral progress has contributed to the proliferation of bilateral and regional trade deals, including so-called 'mega-regional' agreements like the Trans-Pacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP) and the Regional Comprehensive Economic Partnership (RCEP).<sup>3</sup>

The deadlock in the Doha negotiations shifted attention to these mega-regionals as new fora for market-opening, rule-making and standard-setting in world trade. Some concerns were raised that they were a disruptive force with regard to the WTO-led multilateral trading system; compared with the inclusive and consensual nature of the latter regime, these regional negotiations excluded the majority of the world's countries and people yet could affect them in various ways. The recent withdrawal of the USA from the TPP and uncertainties about TTIP post-Brexit may signal the end of this major trend in global trade governance.<sup>4</sup>

Amid the doomsday scenarios for the Doha Round and trade multilateralism, it is worth recalling that the WTO-led multilateral trading system has delivered some valuable achievements. The Trade Facilitation Agreement (TFA), adopted at Bali in 2013, is the biggest multilateral trade deal of the past 20 years (discussed later). The WTO-led Aid for Trade (AfT) initiative shows trade multilateralism can be responsive to the concerns of the most capacity-constrained members and can help address their development needs. The TFA's implementation is also directly linked to parties' capacity, with technical assistance available to help in this regard. Landmark decisions that enable poor countries to access essential medicines, provide preferences in services to the least developed countries (LDCs) and abolish unfair agricultural export subsidies, among others, could, if properly implemented, support the achievement of various SDG targets, from health to

3 The 12-member TPP was signed in New Zealand in February 2016. TTIP and RCEP are still under negotiation.

4 It is reported that China plans to accelerate negotiations on RCEP, a 'rival' to the TPP, which involves 15 other countries but excludes the USA.

food security. More importantly, in today's turbulent times, the WTO still provides the best rules-based governance framework for world trade and safeguards the development interests of the world's smallest and poorest countries.

Building on the positive momentum that overcame deadlock and delivered outcomes in both Bali and Nairobi, the WTO's 11th Ministerial Conference (MC11) in Buenos Aires in December 2017 presents an opportunity to restore confidence in the WTO's central role in global economic governance. Commonwealth members could lead the way by reaffirming their commitment to a free, fair and inclusive multilateral trading system that supports the implementation of the *2030 Agenda for Sustainable Development*. In the run-up to MC11, they could engage proactively to revitalise trade policy discourse, especially regarding issues of interest to small states and LDCs. It is also important to identify areas for tangible outcomes in Buenos Aires and start building coalitions to champion these issues. Ahead of MC11, Commonwealth developing regions could undertake preparatory consultations to form coherent positions in support of strengthening trade multilateralism.

#### ***Improve trade facilitation, logistics and connectivity***

Improving trade facilitation and logistics at the national and regional levels can significantly reduce trade costs and boost both trade and output. Many Commonwealth members have already made important strides in simplifying customs procedures and upgrading systems to expedite the movement, release and clearance of goods. More than half of the Commonwealth members ranked on the World Bank's Logistics Performance Index (LPI)<sup>5</sup> improved their overall scores between 2014 and 2016. SSA countries such as Botswana, Kenya, Mozambique, Rwanda and Tanzania significantly raised their scores, with Botswana climbing from 120th place to 57th in the overall LPI ranking. Some Caribbean and Pacific SIDS regressed slightly, underlining their trade capacity challenges.

Singapore, ranked in the LPI's top five places, has consistently been the world-class performer among Commonwealth members. However, several others are also recognised leaders in this field: the UK,

Canada, Australia and South Africa are all ranked in the top 20 LPI performers. These five countries offer valuable experiences and best practices in trade facilitation. Fellow Commonwealth members could draw on these lessons to improve their trade competitiveness and enable greater participation in the global value chains (GVCs) that characterise today's world trade.

A quick win to revive world trade is to implement the WTO's TFA, which entered into force on 22 February 2017. According to one estimate, the TFA has the potential to increase global merchandise exports by up to US\$1 trillion per annum, while also reducing WTO members' trade costs by an average of 14.3 per cent, with most of the gains to African countries and LDCs.<sup>6</sup> Thus far, 34 of 48 Commonwealth WTO members have ratified the TFA. Since many Commonwealth African, Caribbean and Pacific countries are already engaged in trade facilitation negotiations at the bilateral and regional levels, in many cases the implementation of these regional deals will help anchor and achieve the WTO's TFA.

Through the TFA Facility, developing countries and LDCs can access the technical assistance and capacity-building needed to implement the agreement. Commonwealth developed countries such as Australia, Canada and the UK have been strong advocates and leading donors of Aft as a means to help developing countries with supply-side capacity-building. The UK, for example, has contributed over US\$1 billion a year to help developing countries and LDCs boost their regional and world trade. The Department for International Development's first ever *Economic Development Strategy* prioritises and seeks to strengthen the UK's approach to Aft.<sup>7</sup> Australia has set a target of increasing Aft to 20 per cent of the country's aid budget by 2020. For 2016–17, Australia's Aft expenditure is expected to reach US\$748 million.

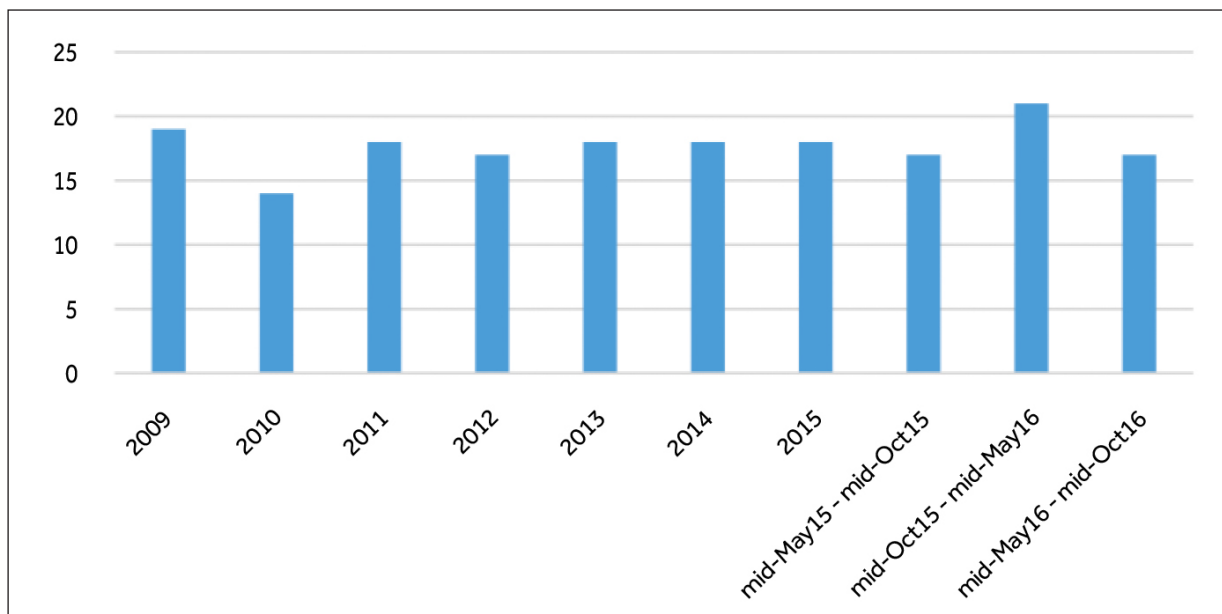
While Aft has been generally useful, there is scope to make it even more effective to help achieve the SDGs. Given the positive impact of aid on trade-related economic infrastructure and trade facilitation measures, increased allocations in these areas can result in significant gains. Aft could also be better

5 World Bank (2016) *Connecting to compete 2016: Trade logistics in the global economy. The Logistics Performance Index and its indicators*. Washington, DC: World Bank. Thirty-one Commonwealth members are ranked constantly in both the 2014 and 2016 LPI scores. Cyprus retained the same overall score for both reporting periods.

6 WTO (2015) *World trade report 2015. Speeding up trade: benefits and challenges of implementing the WTO Trade Facilitation Agreement*. Geneva: WTO.

7 Department for International Development (DFID) (2017) *Economic development strategy: prosperity, poverty and meeting global challenges*. London: DFID.

**Figure 3: G20 trade restrictive measures (average per month)**



Note: Values are rounded Source: WTO Secretariat

leveraged to target specific sectors to promote diversification and export competitiveness, and support trade-related adjustments. New trade agreements or domestic trade reforms may impose various adjustment requirements, ranging from tackling export shortfalls to the development of capacity to implement new trade rules and measures. Ahead of the WTO's 6th Global Review of Aid for Trade in July 2017, Commonwealth members could consider working towards adopting a unified voice to enhance allocation, utilisation and governance of AFT resources.

#### **Tackle and dismantle trade protectionism**

Trade protectionism remains rife in the world economy, stifling trade flows and the potential for trade-led economic growth. Not only was 2016 a record year for the lowest growth in world trade volumes but also it saw a steady increase in the stockpile of trade-restrictive measures implemented by G20 economies since the financial crisis. 1,263 measures remain in place, while only 408 have been removed. During the latest reporting period, G20 countries applied 85 new trade-restrictive measures, which equates to an average of almost 17 new measures per month (compared with the previous high of 21 per month in the last report).<sup>8</sup> The prospect of greater protectionism in

the world's largest economy, the USA, could amplify these trends. This is concerning given that past G20 protectionism dealt LDC exports a serious blow: trade distortions implemented between 2009 and 2013 led to US\$264 billion in forgone LDC exports, equivalent to 31 per cent of their total exports during that period. The measures G20 nations implemented were together responsible for 89 per cent of export losses.<sup>9</sup> Immediately removing the remaining trade restrictions against LDCs will help these poorest nations move towards doubling their share of global exports by 2020.<sup>10</sup>

Five Commonwealth members sit at the G20 high table: Australia, Canada, India, South Africa and the UK. They could collectively advocate for greater trade openness and tackling trade protectionism, which hinders the achievement of the SDGs.<sup>11</sup> It may also be useful to track progress on the G20's Strategy for Global Trade Growth. The latter lists several actions and priorities that would help bolster trade in the Commonwealth's most capacity-constrained members, including lowering trade costs, enhancing trade finance, promoting e-commerce development and addressing trade and development issues (such as small and medium-sized enterprise participation and upgrading in GVCs, and economic diversification).<sup>12</sup>

8 WTO (2016) 'Report on G20 trade measures (mid-May 2016 to mid-October 2016)'. Geneva: WTO.

9 Evenett, S.J. and Fritz, J. (2015) 'Throwing sand in the Wheels: How protectionism slowed export-led growth for the world's poorest countries'. Report prepared for the Government of Sweden (revised version). London: CEPR.

10 SDG Target 17.11.

11 This corresponds well with the German G20 Presidency's main priorities—namely, promoting stable and resilient economies, advancing the SDGs and achieving sustainable economic progress in Africa.

12 Annex II: G20 Strategy for Global Trade Growth, 10 July 2016, Shanghai, China.

### **Promote more effective regional integration**

With world trade growth in the doldrums, promoting deeper and more effective regional integration may become important means for achieving SDG targets. However, the 2030 Agenda is silent on many of the potential role of regional integration in promoting inclusive growth and sustainable development.<sup>13</sup> Regional integration is not only about promoting regional markets through tariff preferences. It is also a process whereby deeper and effective regional cooperation allows free movement of goods, services, investment and people to enable competitive production of exports, and participation and upgrading in regional and GVCs. Strengthened regional cooperation dealing with behind-the-border measures (e.g. technical regulations), ensuring improved connectivity (e.g. transport infrastructure) and triggering structural transformation (e.g. regional value chains) should be given the highest consideration.

Commonwealth members are all actively engaged in various regional trade initiatives. These range from sectoral agreements aimed at improving cooperation and connectivity, such as the Bangladesh-Bhutan-India-Nepal Motor Vehicles Agreement<sup>14</sup> and the one-stop border posts between some SSA countries, to free trade agreements (FTAs) that liberalise goods, services and investment. The scope and coverage of the latter agreements differ widely, as reflected in recent landmark trade agreements involving Commonwealth countries: North-North trade deals (e.g. EU-Canada CETA), North-South trade arrangements (e.g. SADC-EU EPA, EU-Singapore FTA, PACER-Plus) and South-South integration schemes (e.g. CSME, PICTA, Tripartite FTA in Eastern and Southern Africa). Full and effective implementation of these agreements, coupled with investments in hard infrastructure, such as roads, energy and the physical networks required to support trade, and soft infrastructure, including institutions to facilitate and govern trade, may be prerequisites for the parties to reap the potential trade and development gains.

There are also promising initiatives underway in various Commonwealth regions, which could bolster trade growth in the future. In Africa, for

example, there are plans to launch a Continental FTA by October 2017. Because of the ongoing negotiations, complex technical issues and political economy dynamics in individual African countries, this indicative milestone is extremely ambitious and far from certain. Effective implementation of the CFTA could increase intra-African trade by as much as US\$35 billion per year by 2022,<sup>15</sup> especially if complemented by proper operationalisation of the African Union's *Action Plan for Boosting Intra-African Trade*. Even without the CFTA, there are enormous untapped opportunities for growing intra-African trade, especially in food products, basic manufactures and services. African countries are pursuing a 'developmental integration' approach that prioritises market integration, cross-border infrastructure development and industrialisation to take advantage of these opportunities. Building and diversifying productive capacity is an overriding priority. By one estimate, by 2025 Africa could almost double its current manufacturing output to US\$930 billion, with three-quarters of this growth triggered by intra-African demand and substituting imports of manufactured goods.<sup>16</sup>

### **Diversify into green goods and services exports**

The UN climate change agreement, which was signed in Paris in December 2015 and entered into force about a year later, is a major milestone in the global effort to combat climate change. Reducing greenhouse gas emissions and promoting greener, climate-resilient development is indispensable in attaining many of the SDG targets. Commonwealth member countries face significant challenges when it comes to climate change, with several SIDS and LDC members topping the list of the most vulnerable. These countries also have the least capacity to manage the risks and to adapt to the environmental, economic and social fallouts they are already experiencing. To achieve its objectives, the Paris Agreement requires all Parties to submit their commitments through Nationally Determined Contributions (NDCs), which cover actions in a range of areas: mitigation, adaptation, finance, technology development and transfer and capacity-building, among others. To date, 128 Parties have submitted their first NDCs.<sup>17</sup>

13 The Addis Ababa Action Agenda, which mobilises resources to implement the SDGs, commits to strengthening regional cooperation and regional trade and investment agreements (Paragraph 87).

14 Note that Bhutan and Nepal are not Commonwealth members.

15 ECA (2015) *Industrializing through trade*. Economic Report on Africa 2015. Addis Ababa: ECA.

16 McKinsey Global Institute (2016) *Lions on the move II: Realizing the potential of Africa's economies*. September.

17 <http://www4.unfccc.int/ndcregistry/Pages/Home.aspx> (accessed 1 March 2017).

The Paris Agreement does not directly reference trade and investment policies. However, the transition to a green economy—enabled in part through successful implementation of the NDCs—could trigger opportunities to trade, invest and innovate in sectors such as agriculture, fisheries, forestry, manufacturing, construction, renewable energy, tourism, transport and waste management.<sup>18</sup> Depending on the scope and ambition of the NDCs, the global market for low-carbon and environmental goods and services may be boosted significantly once domestic environmental and climate policies take effect.

This global green transformation offers Commonwealth countries opportunities to diversify into new products and services and access technologies for cleaner, more efficient production. New export opportunities in green markets may be important drivers for those economies that manage to secure some market share. Commonwealth exports of environmental goods stood at US\$73 billion in 2015, up from US\$42 billion in 2005. There are, however, some obstacles to growing this trade: multilateral and plurilateral initiatives to open new markets for green goods and services have floundered,<sup>19</sup> while some green growth plans may clash with world trade rules, as seen in the growing number of WTO disputes that involve energy, especially renewable energy.<sup>20</sup> The continued participation of the USA in the Paris Agreement is also far from certain.

There are several ways Commonwealth developing countries can take advantage of the emerging green economy. At the outset, they should assess their comparative and competitive advantages in this green space and the scope for a green industrial strategy. High-income countries have generally been the first-movers in frontier green innovation. However, some developing country members, such as India, Malaysia, Singapore and South Africa, may also be capable of generating the conditions for the growth of green technology champions. For low-income and small state members, there may be innovation possibilities linked to meeting the needs of poor consumers (so-called 'base-of-pyramid'

innovation), or even 'catch-up' innovation that adapts existing technologies for local uses, thereby making those technologies more available.<sup>21</sup>

Commonwealth developing countries could also seek to access or attract climate-specific investment to adapt and diversify their economies. Under the UN Framework Convention on Climate Change, developed countries have committed to mobilising US\$100 billion of private and public money per year by 2020, although the US\$10.3 billion raised is nowhere near the target. However, with more than US\$1.3 billion in Green Climate Fund (GCF) resources committed to funding proposals in 2016,<sup>22</sup> Commonwealth members would be well advised to begin the process of preparing to receive and manage GCF funding. A Commonwealth Climate Finance Access Hub, based in Mauritius, is now operational and aims to assist small and vulnerable countries to access and effectively use international climate finance for climate-resilient development.

#### ***Unlock the potential of digital trade***

The technology-driven fourth industrial revolution—underpinned by digital technologies such as the cloud and digitisation, e-commerce, 3D printing, big data, holograms, Internet of Everything and virtual currencies—is disrupting traditional patterns of trade and investment, as well as production, consumption and supply chains. The rise of e-commerce as part of the broader digital trade revolution is transforming the marketplace from 'bricks' to 'clicks' via desktop, mobile, tablet or other online devices. Global business-to-business (B2B) e-commerce transactions exceeded US\$15 trillion in 2013, while global business-to-consumer (B2C) e-commerce was estimated to be US\$1.2 trillion in the same year. B2C was forecast to expand to over US\$2 trillion by 2016.<sup>23</sup>

The 24/7/365 digital marketplace overcomes past prohibitive constraints of time, distance and scale. By increasing connectivity and reducing costs, it offers tremendous opportunities to facilitate and broaden participation of producers in national, regional

18 UNEP (2013) *Green economy and trade – trends, challenges and opportunities*. Geneva: UNEP.

19 Asia-Pacific Economic Cooperation member countries have agreed to voluntarily reduce applied tariffs to 5 per cent or less on a list of goods contained within 54 product categories.

20 From 2010 to 2014, 45 WTO members notified countervailing duties actions to the WTO on energy products or inputs, relating to both fossil fuels and renewable energy. From 2012 to 2014, 87 members notified anti-dumping measures on energy products or inputs (Espa, I. and Rolland, S.E. (2015) 'Energy subsidies from a trade and climate perspective', *BIORES* 9(6), July).

21 Cosbey (2015).

22 <https://www.greenclimate.fund/-/gcf-concludes-final-meeting-for-2016-approves-usd-315-million-in-fundi-1?inheritRedirect=true&redirect=%2Fhome>

23 UNCTAD (2015) *Information economy report 2015: Unlocking the potential of e-commerce for developing countries*. Geneva: UNCTAD.

and international trade. E-commerce can connect companies, consumers and clients in previously unprecedented ways, thereby opening new markets in sectors such as financial services, retail and wholesale. Small firms and women entrepreneurs in Lesotho, a landlocked LDC, can now be directly connected via e-commerce platforms to customers in neighbouring South Africa or distant Dominica, for example. The digitisation of goods and services also cuts trade costs arising from physical distance, especially for many Commonwealth SIDS that are remote from major markets.

To unlock these trade opportunities, Commonwealth developing countries, especially LDCs, SIDS and countries in SSA, need to effectively tackle the policy, regulatory, infrastructure, educational and cultural constraints that stifle their transition to both the digital era and the e-economy. Bilateral donors and multilateral agencies have a key role to play in supplying technical and financial assistance to help achieve the SDG target of providing universal and affordable access to the internet in LDCs by 2020—and, by extension, helping improve the e-commerce ecosystem. Extending such access could help place the African continent, home to the world's most LDCs, on a new development trajectory, including improved trade performance and competitiveness.

There is also a vital role for trade multilateralism to reduce trade barriers to e-commerce affecting developing country exporters and ensure technical assistance and capacity-building are made available to the poorest countries, possibly drawing on the TFA as one model. The WTO has a Work Programme on E-commerce, and these development priorities could be taken up in that process, as well as any outcomes in Buenos Aires.

#### ***Leverage the 'Commonwealth advantage' to boost trade and investment***

Although the Commonwealth is not a formal trading bloc, trade and investment links between its members are strong. Intra-Commonwealth trade in goods and services has almost tripled since 2000. The share of intra-Commonwealth trade in Commonwealth countries' total global trade has also increased, from about 15.2 to about 18 per

cent during the same period. Intra-Commonwealth trade is projected to surpass US\$1 trillion over the next five years or so, and to reach close to US\$2 trillion by 2030 even under a low growth scenario.<sup>24</sup>

The Commonwealth provides an additional advantage to the 52 members' existing bilateral economic relations. It has been found that, when both bilateral partners are Commonwealth members, they tend to trade 20 per cent more and generate 10 per cent more foreign direct investment inflows than otherwise.<sup>25</sup> Historical ties, long-established trading relations, a familiar administrative and legal system, the use of largely one language, English, as the means of communicating with foreign partners and large and dynamic diasporas all seem to be contributing to an inherent Commonwealth factor that drives trade between members.

There may be important opportunities to further leverage this advantage to expand trade at the bilateral, regional and pan-Commonwealth levels.

At the bilateral level, for example, there may be scope for trade deals between 'global Britain' post-Brexit and interested Commonwealth trading partners.<sup>26</sup> Depending on the partners and deals, there may be tremendous opportunities to boost the UK's trade post-Brexit, albeit over time. However, negotiating and securing such bilateral deals requires substantial investments of time, capacity and resources by all parties.

Advanced Commonwealth economies, such as Australia, Canada and New Zealand, as well as the three Commonwealth EU member states and emerging economies like India, already offer duty-free market access for a range of LDC exports. Consideration should now be given to extending preferential access to services and services suppliers from LDCs, in accordance with the WTO waiver.

Commonwealth countries can also boost their trade through regional initiatives. The benefits of the Tripartite and Continental FTAs in Africa have already been noted. Effective implementation of PACER-Plus, coupled with AfT investments, could help deepen trade between Australia, New Zealand and the Commonwealth Pacific SIDS.

24 Razaque, M.A. (2017) 'Harnessing the Commonwealth advantage in a post-Brexit world'. Forthcoming in Royal Commonwealth Society, Commonwealth ministers reference book. London: Henley Media Group.

25 Commonwealth Secretariat (2015) The Commonwealth in the unfolding global trade landscape. Prospects, priorities, perspectives. London: Commonwealth Secretariat

26 UK Government (2017).



At the pan-Commonwealth level, the biennial Commonwealth Heads of Government Meeting (CHOGM) and possible meetings of trade ministers could explore new growth sectors and opportunities to boost trade and investment in goods, services and the digital economy. Cooperation on specific trade challenges, such as access to trade finance, can also deliver concrete outcomes. The 2015 CHOGM in Malta, for example, welcomed the launch of a Small States Trade Financing Facility, which could trigger over US\$1 billion in trade. The facility will be operational this year.

## Conclusion

Faltering trade multilateralism, rising trade protectionism and discontent about globalisation in many countries presents challenges to using trade to achieve the SDGs. The pronounced global trade slowdown has already affected the export performance of most Commonwealth members, with implications for their growth and development prospects. The medium-term outlook appears much the same: available projections seem to suggest 2012–21 could be the slowest decade of trade expansion since the second world war. This would mean a lost decade of trade gains, with adverse implications for the world's smallest, poorest and most vulnerable nations.

At this crucial juncture, the priority for the international community must be to revitalise world trade and strengthen a free, fair and inclusive multilateral trading system. It is time for the Commonwealth and its member states to gear up to play a catalytic role in making international trade an effective means of realising the SDGs. Further consideration should be given to how Commonwealth members, working individually, collectively and with international partners, could contribute towards revitalising world trade. Given popular discontent about globalisation in many countries, this should be accompanied by a new narrative that trade can be a force for good. Given their diverse experiences and crucial dependence on international trade, Commonwealth members could contribute valuable perspectives about trade's role in promoting growth, jobs and sustainable development.

# 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 52 independent states, 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

ITPs most recent activities focus on assisting member states in their negotiations under the WTO's Doha Round 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, disseminating informed inputs, and consensus-building on issues of interest to Commonwealth members.

## Selected Recent Meetings/Workshops Supported by ITP

10 - 12 November 2016: Workshop on Productive Capacity and LDC Graduation, held in Beijing, China in partnership with UN DESA and Peking University.

1 - 2 November 2016: Update of Post-Nairobi and Preparation for MC 11, held in Port Vila, Vanuatu in partnership with WTO, EIF and PIFS Secretariat

27 - 28 September 2016: Implementing the Sustainable Development Goals and Achieving Inclusive Trade, WTO Public Forum, held in Geneva, Switzerland

21 July 2016: Fostering Green Economies through Trade, Investment and Innovation, UNCTAD 14, held in Nairobi, Kenya

27-29 May 2016 : Tracking Progress and Acceleration Transformation, LDC IV Monitor, held in Antalya, Turkey.

12 - 13 May 2016: Caribbean Regional Consultation on Recent Developments in Trade, held in Port of Spain, Trinidad and Tobago.

10 - 12 May 2016: Oceans Economy and Trade: Sustainable Fisheries, Transport and Tourism, held in Geneva, Switzerland

14 - 15 April 2016: African Regional Consultation on Recent Developments in Trade and Continental Integration, held in Lusaka, Zambia.

30 - 31 March 2016: Commonwealth Expert Group on Trade: 'Revitalising Global Trade and Multilateralism', held in New Delhi, India.

16 - 18 December 2015: The 2030 Sustainable Development Agenda and the Multilateral Trading System, held in Nairobi, Kenya.

12 - 13 November 2015: Emerging Global and Regional Trade Issues for the Commonwealth Pacific Region, held in Tonga.

## Selected ITP Publications

Vickers B. (2017). *A Handbook on Regional Integration in Africa: Towards Agenda 2063*. London: Commonwealth Secretariat

LDC IV Monitor (2016). *Tracking Progress, Accelerating Transformations: Achieving the IPoA by 2020*. London: Commonwealth Secretariat

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Winters, L. A. et al. (2009). *An EU-India Free Trade Agreement: Reflections on the Implications for Excluded Countries*. London: Commonwealth Secretariat.

Cali, M. and te Velde, D.W. (2008). *Towards a Quantitative Assessment of Aid for Trade*, Economic Paper No. 83. London: Commonwealth Secretariat.

## Selected Ongoing Policy Research Projects

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- Brexit and related trade policy issues
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- Trade in services
- Topical issues in regional trading arrangements and regional integration
- Trade in services issues for small states and low-income countries
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- Sub-Saharan Africa, small vulnerable economies (SVEs) and LDCs in South-South trade

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